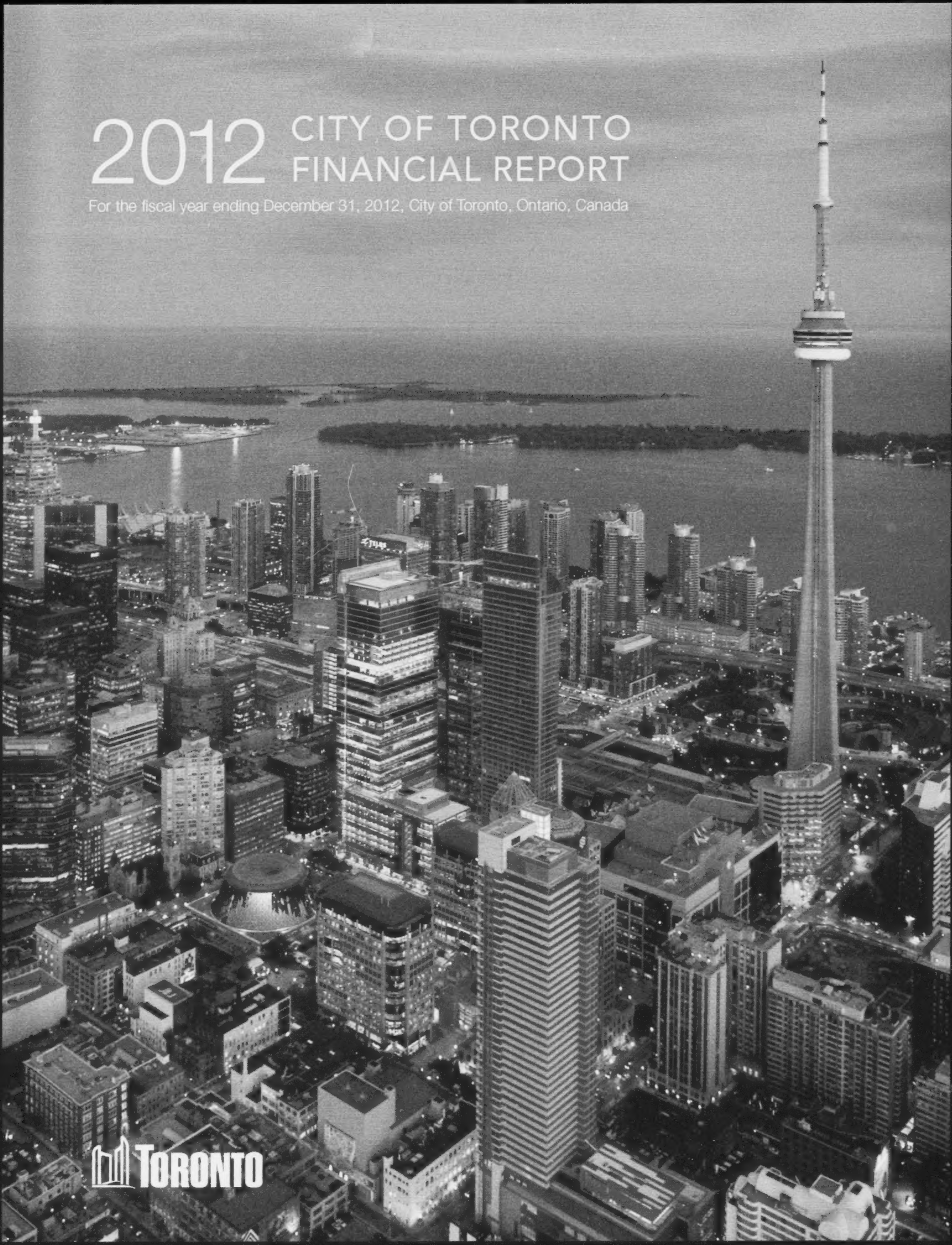
2012 CITY OF TORONTO FINANCIAL REPORT

For the fiscal year ending December 31, 2012, City of Toronto, Ontario, Canada



TORONTO

CITY OF TORONTO FINANCIAL REPORT | 2012

For the fiscal year ending December 31, 2012

City of Toronto, Ontario, Canada

This report was prepared by:
The City of Toronto, Accounting Services, Corporate Finance,
Design Services and Strategic Communications

TORONTO

TABLE OF CONTENTS

Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

City of Toronto

Ontario

For its Annual
Financial Report
for the Year Ended

December 31, 2011

Jeffrey R. Emer

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award of Financial Reporting to the City of Toronto for its annual financial report for the fiscal year ended December 31, 2011. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. The City of Toronto is continuing this standard of high quality reporting for the submission and evaluation to the GFOA for the 2012 Award Program.

A MESSAGE FROM TORONTO MAYOR

ROB FORD

Since I've been in office, I have heard the people of Toronto loud and clear. They have asked us to stop the waste, reduce city expenses, and to hold the line on taxes. The people I've met with throughout the city know that this involves difficult decisions, but they have entrusted us to make them.

Our 2012 Budget was a reasonable and responsible one. It set out to fix the state of City finances and hold the line on property taxes, hold the line on the City's debt and make every tax dollar count by providing the best services possible.

Our unprecedented core service review process in 2011 helped get us to where we are now. During the review, we heard from 1,142 deputants and over 1,200 participants at 12 public meetings. We received more than 13,000 surveys. I, personally, spoke with hundreds of residents from every corner of Toronto – from every walk of life. We held more than 100 hours of debate at Committees and Council.

At the beginning of 2012, Toronto had a plan to eliminate one-time spending by the next fiscal year. Our new Surplus Management Policy dictates that 75% of any annual surplus must now go towards funding our capital needs. In 2012, we realized an operating surplus of $248 million. That is $186 million dollars that the City is investing in our transit priorities, Gardiner Expressway maintenance and projects that will address traffic congestion. The remaining 25% ($62 million) will be placed in reserve to help fund future liabilities.

I'm pleased to say that the 2013 budget was balanced – for the first time in the history of the amalgamated City of Toronto – without using surplus dollars.

Over the past few years, we have demonstrated what can be achieved by coordinating efforts within the City and working hard to eliminate budget gaps, holding the line on spending and keeping Toronto residents' and business owners' tax increases at lower than inflation rates.

In 2012, City staff of all levels participated in a line-by-line budget review that allowed us to improve efficiencies and save money while maintaining the high level of services residents, visitors and businesses have come to expect in Toronto. This Financial Report demonstrates our collaborative accomplishments.

The world is going through tough economic times. Canada has done better than most countries, but Toronto is not insulated from the global economy. Average families feel the pinch every day. Average people are not getting raises. They need us to make decisions that keep their taxes affordable.

I thank all of City staff and City leaders for their ongoing commitment to fiscal responsibility and sustainability. Without your dedication we wouldn't have accomplished what we have thus far.

I will continue to listen to the people, families and businesses to ensure that Toronto remains a world-class city in which to live and prosper.

Rob Ford

Rob Ford, Mayor
City of Toronto

A MESSAGE FROM THE CITY MANAGER

JOSEPH P. PENNACHETTI

I am pleased to present the City of Toronto's 2012 Annual Financial Report. This report provides details about the City's financial performance, progress and achievements in the past year.

In 2012, we made major advancements in achieving fiscal sustainability by reducing the City's reliance on one-time revenues from $327 million to $102 million, mainly by bringing expenses more in line with City revenues. I am proud of the work performed by City staff which has enabled us to emerge as a stronger, more efficient Toronto Public Service – one that continues to provide excellent programs and services to the residents and businesses in the City of Toronto.

During the first half of 2012, City Council ratified major collective bargaining agreements with CUPE Locals 416 (outside workers) and 79 (inside workers), thus averting a possible labour disruption and ensuring labour peace for at least four years. The new agreements will allow the City to provide improved services to the public while ensuring that salary and benefit costs are manageable going forward.

The 2013 budget is "historic" because it doesn't rely on the prior year's surplus funds to balance the operating budget. This is the first time since amalgamation that we have not used surplus funds for this purpose, so it is indeed a first for the City. It's important that we use predictable funding every year to ensure residents and businesses receive the level of services they expect, and to keep the level of property taxes and fees at affordable rates.

The past year has been challenging but City divisions and agencies stepped up to the challenge of fulfilling a corporate-wide directive of a 0% budgetary increase while maintaining services with minimal impact on staffing. I'm proud of our achievements in finding efficiencies while making enhancements to many City services, including transit and community safety and wellness.

Service Efficiency Reviews will continue in future years, assisting the City in finding further efficiencies and sustainable revenues, while improving the quality of services provided.

Because of our fiscal discipline, international bond rating agencies have confirmed our strong credit ratings. The City's current credit ratings are assessed at Aa1 by Moody's and AA by Standard Poor's and DBRS. These high ratings reflect the City's strong ability to make payments on its debt now and into the future.

The Toronto Public Service has been instrumental in achieving financial stability for the city. I am pleased that under the leadership of the Mayor and Council, all of the work undertaken by City staff over the past year has enabled us to achieve our financial goals for the benefit of Toronto residents and businesses.

Joseph P. Pennachetti
City Manager

2012 INTRODUCTION

CITY OF TORONTO FINANCIAL REPORT

PROFILE OF TORONTO

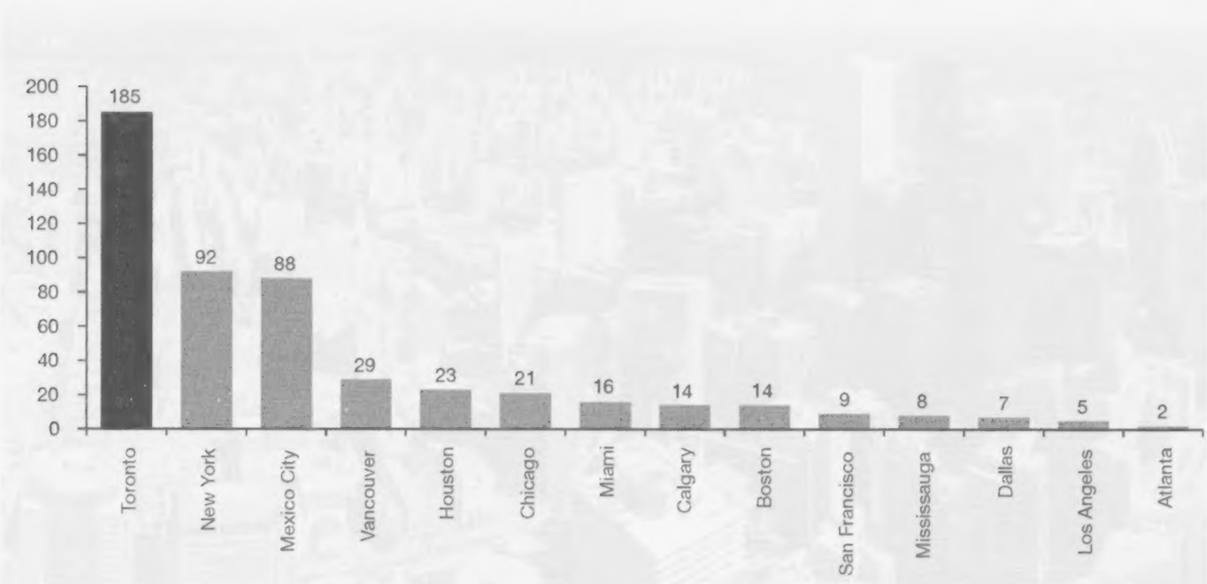
TORONTO IN WORLD RANKINGS

Toronto is one of the most liveable and competitive cities in the world as demonstrated by various international rankings and reports. In addition to securing its position on the world stage, Toronto's rankings confirm that it continues to offer a high quality of life for about 2.8 million residents who choose to live and work here.

- **Most High-Rise Buildings Under Construction in North America**
  Emporis, December 2012

  Emporis, a global provider of building information, maintains an extensive global database of 403,420 buildings in 190 countries and a ranking by city of high-rise buildings under construction. Toronto has maintained a sizeable lead in the ranking over second place New York City over the past two years.

NORTH AMERICAN CITIES WITH MOST HIGH-RISES UNDER CONSTRUCTION



- **The World's 3rd Most Liveable City**
  Cities of Opportunity, PriceWaterHouseCoopers, October 2012

  The fifth annual Cities of Opportunity, a report from Price Waterhouse Coopers and the Partnership for New York City, is a quantitative and qualitative look at 2012's emerging picture of city life in 27 world capitals of finance, commerce and culture in ten broad categories. Toronto ranked second overall with exceptionally high ranking in the areas of finance, intellectual capital and innovation, health, safety and security. Toronto slipped to 3rd from 2nd in 2011 as a result of the addition of a new criterion for natural environment. Due to the City's cold winters, Toronto ranked 3rd last in that category.

- **Worlds' Top Ten Global Financial Centres**
  Global Financial Centres Index (GFCI 12), Z/Yen Group & City of London, September 2012

  In the Global Financial Centres Index (GFCI 12), Toronto has remained in tenth place, and was considered the clear leader in Canada. Toronto remains among the top three global leaders in North America, behind New York and Chicago, but ahead of Boston and San Francisco. The GFCI 12 report evaluated the competitiveness of 77 financial centres worldwide using results of online surveys completed by financial services leaders. The survey is updated every six months.

- **Toronto ranked #1 in Fastest Economic Momentum in Canada**
  CIBC, January 2013

  The City of Toronto has ranked #1 for more than a year and has consistently ranked in the top five for more than seven consecutive years. Calgary, Regina, Winnipeg and Saskatoon rounded out the top five.

- **4th in the World's Liveability Survey**
  Economist Intelligence Unit, August 2012

  The Economist Intelligence Unit's Liveability Survey ranked Toronto fourth in the world for liveability, after Vancouver, Melbourne and Vienna. This is the third time Toronto has received this ranking from the Economist Intelligent Unit. The liveability rating, part of the Worldwide Cost of Living Survey, quantifies the challenges that might be presented to an individual's lifestyle in 140 cities worldwide. Each city is assigned a score for over 30 qualitative and quantitative factors across five broad categories: stability, healthcare, culture and environment, education and infrastructure. Toronto was the largest city by population among the top ten.

- **Toronto ranked #2 Best City to Find an IT Job in North America**
  Modis, February 2012

  In its first North American ranking of IT job markets, Modis, the second largest provider of Information Technology staffing services in North America, ranked Toronto second after Houston, in part due to its position as the fourth largest IT market in North America and third largest financial centre.

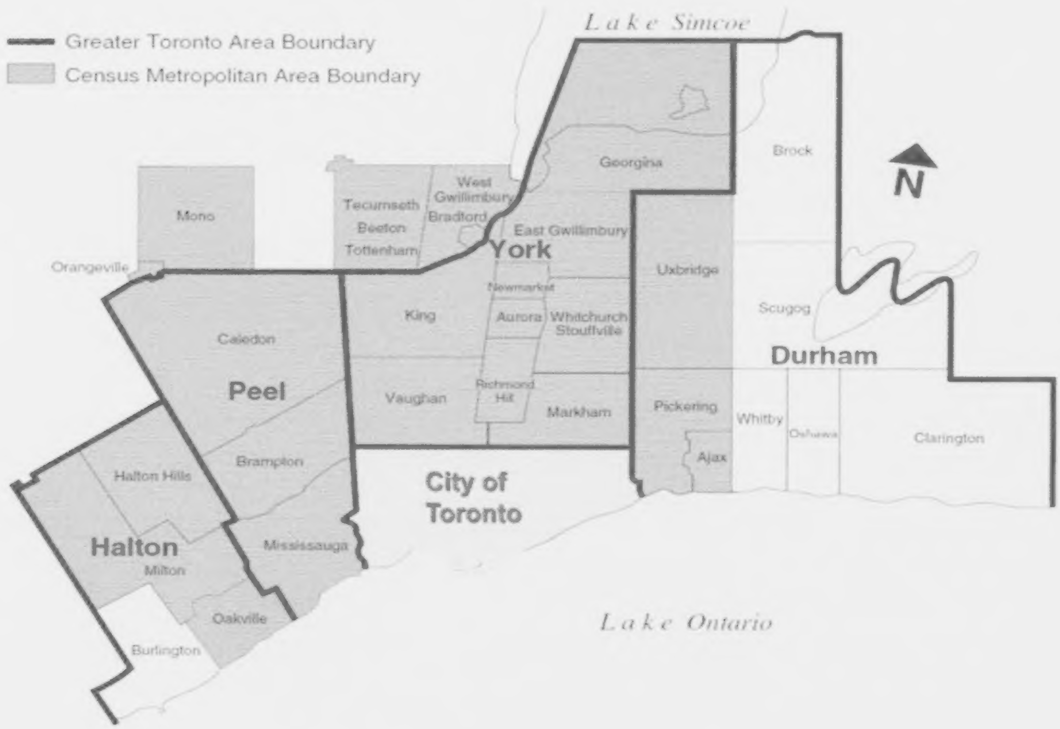
City of Toronto, GTA and CMA

The City of Toronto is Canada's largest city with a population of 2.8 million residents. It is the heart of a large urban agglomeration of 6.4 million called the Greater Toronto Area (GTA)[1]. The City has one of the most ethnically diverse populations in North America. Almost one in four visible minority persons in Canada resides in Toronto. Nearly half of the city's population (47%) considers itself as part of a visible minority group.

The City of Toronto, with 87,000 businesses, is the major economic engine of the country. The City is both the political capital of the Province of Ontario and the corporate capital of Canada. As well, it is the major centre for culture, entertainment and finance in the country. The City is the home to more national and internationally ranked companies than any other city in Canada.

The GTA is one of the largest regional economies in North America, characterized by concentrated and fast-growing finance-related industries and highly specialized knowledge-based jobs. An estimated $300 billion of goods and services (GDP 2012) are produced in the Toronto Census Metropolitan Area (CMA)[2]. The City of Toronto accounts for just over half of this total (2012: $151 billion). As well, the City accounts for 24% of Ontario's GDP and about 9% of the country's economic output.

City of Toronto, GTA and CMA

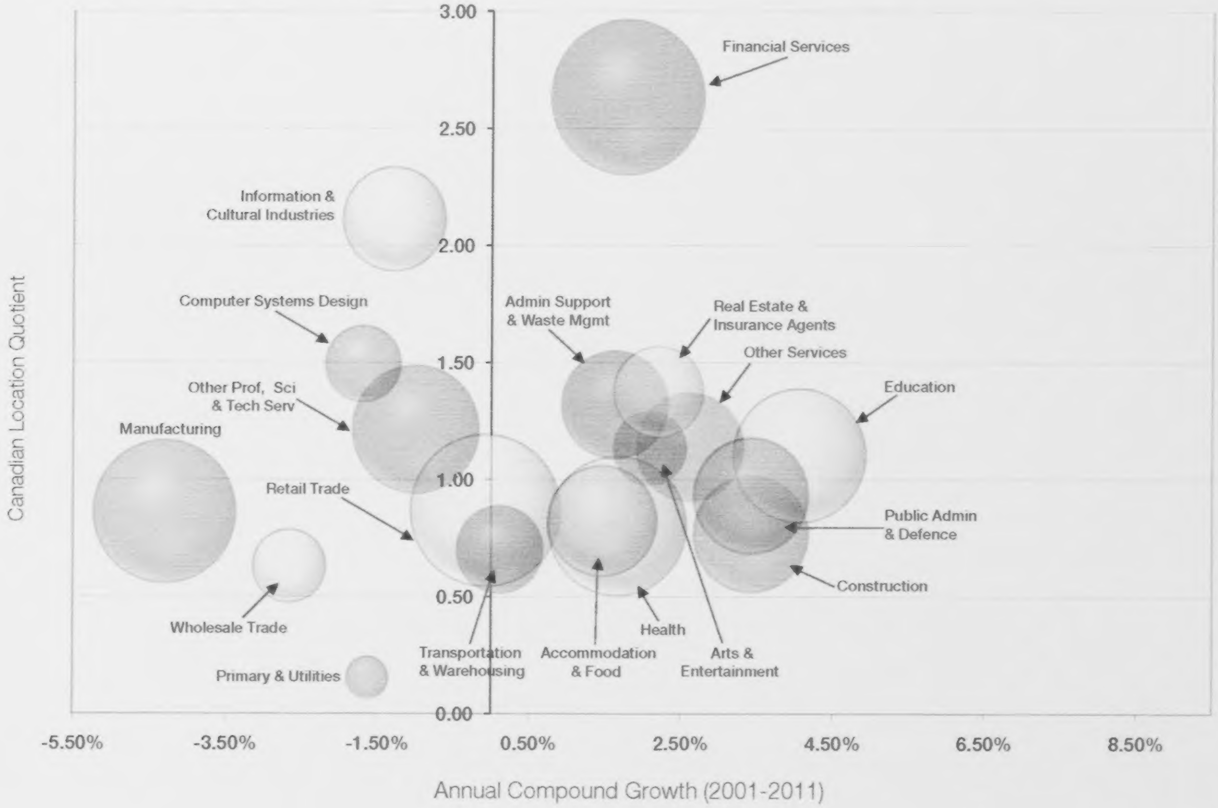


[1] Greater Toronto Area (GTA) refers to the City of Toronto plus the surrounding regions of Durham, York, Peel and Halton which include four upper tier and 24 lower tier municipalities.
[2] Toronto Census Metropolitan Area (CMA) refers to the municipalities assigned by Statistics Canada on the basis of labour market and commuting criteria. It comprises the City of Toronto and 23 other municipalities.

Key Employment Sectors

The following graphic recognizes the diverse nature of the City of Toronto's economy while providing some useful insights into the city's key employment sectors. The size of a sector bubble represents employment size. The horizontal position of a sector bubble on the graphic denotes industry growth rate. The vertical position on the graph denotes the concentration of the sector's employment within the city relative to other major cities in Canada. Therefore the sectors at the top of the chart principally export goods and services and the ones to the right are growing more rapidly than others.

CITY OF TORONTO JOBS



Source: Economic Research, Economic Development & Culture Division, City of Toronto

From the graph it is noted that Financial Services and Information & Cultural industries (ie. telecommunications, broadcasting, libraries) have higher concentrations of employment in Toronto in comparison to other Canadian cities. The highest growth industries are Education, Public Administration and Defence, Construction and Real Estate & Insurance Agents. Health, Retail Trade, Financial Services and Manufacturing are the largest sectors in terms of employment.

One significant trend is that employment in the Manufacturing industry in the city, though still one of the largest sectors, has been on the decline at an average annual rate of 4.3% from 2001 to 2011. By 2011, the number of employed people in the Manufacturing industry was less than two-thirds of the total in 2001.

The Financial Services sector is emerging as the one of Toronto's highest growth industries with a large and highly concentrated workforce. The Toronto region is home to the functional head offices of the five major banks in Canada and is considered to be one of the top ten financial centres in the world, according to the Global Financial Centres Index. Banking in Canada is widely considered the most efficient and safest banking system in the world, ranking as the world's soundest banking system according to a 2008 World Economic Forum report, ahead of Sweden, Luxembourg, Australia, Denmark and the Netherlands. Most recently, five of Canada's biggest financial institutions have been named on a list of the world's strongest banks. The May 2012 study by Bloomberg Markets, which reviewed the quality and stability of a firm's holdings, indicated that Canada had the most banks on the list - five institutions. It is further proof that Canada has the most secure banking system in the world. According to Moody's Analytics, by 2017, Toronto is expected to surpass London in terms of total financial services jobs with Toronto expecting to add an additional 100,000 jobs in this sector by 2020 while London is expected to lose a further 30,000 jobs over the same period.

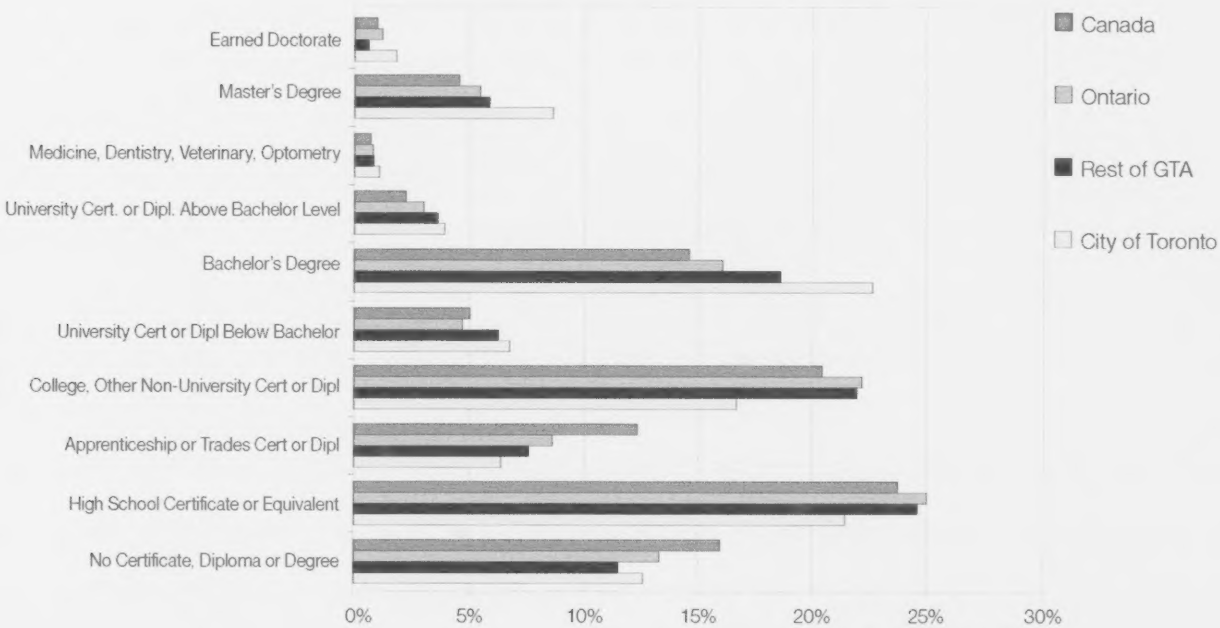
As part of the health sector, the biomedical and biotechnology cluster in Toronto is the fourth largest in North America. The Discovery District is a downtown research park with 7 million sq. ft. of facilities — Canada's largest concentration of research institutes, business incubators and business support services. The Medical and Related Sciences (MaRS) project, Faculty of Pharmacy building at the University of Toronto, and the Centre for Cellular and Biomolecular Research (CCBR) help give the Discovery District its name. A further 800,000 square foot addition to the Mars Centre is currently under construction with targeted completion scheduled for late 2013.

Continued investment in the Arts, Entertainment and Recreation sector is vitally important for the attraction of tourists and film production to the City. Toronto has undergone a 'cultural renaissance' with the unprecedented building and architectural transformation of close to a dozen major arts and cultural institutions, including the Michael Lee-Chin Crystal (an expansion of the Royal Ontario Museum), the Art Gallery of Ontario, the home of the Toronto International Film Festival, the Four Seasons Centre for the Performing Arts which is the home of the National Ballet of Canada and the Canadian Opera Company, and the Gardiner Museum of Ceramic Art. The production of domestic and foreign film and television is a major local industry. Toronto contains the headquarters of the major English language Canadian television networks such as CBC, CTV, Citytv and Global. Toronto is home to two national daily newspapers (Globe and Mail and National Post), two local daily newspapers (Toronto Star and Toronto Sun), approximately 79 ethnic newspapers/magazines, and many other community papers.

Workforce

Toronto has a large educated, skilled and multilingual workforce. Toronto is the home to four universities (University of Toronto, York University, Ryerson University, and Ontario College of Art and Design), and four community colleges (Centennial, Seneca, Humber and George Brown). More than 60% of Toronto workers have post-secondary degrees, diplomas or certificates.

POPULATION BY AGE 25 - 64 BY EDUCATION



Source: Statistics Canada (2006)

With an estimated 1.4 million people working in the City of Toronto, it continues to be a net importer of labour from the surrounding regions. The net inflow of people to the city is estimated to be over two hundred thousand people every day. However, the surrounding regions are changing rapidly in that they are experiencing growth in manufacturing and other types of employment and thus transforming themselves from residential suburbs to employment destinations. The rest of the GTA has now also become a net importer of labour from the surrounding regions beyond the GTA.

Economic Growth

Canada emerged from the world's economic recession (technically defined as two consecutive quarters of negative GDP growth) in late 2009. According to Statistics Canada, the 2008-2009 recession was less severe than those in 1981-1982 and 1990-1992 with respect to economic contraction and employment. Moreover, Canada's recession was less pronounced than in other major industrialized countries. Canada is the only G7 nation where output, private domestic demand, and employment have returned to pre-recession levels.

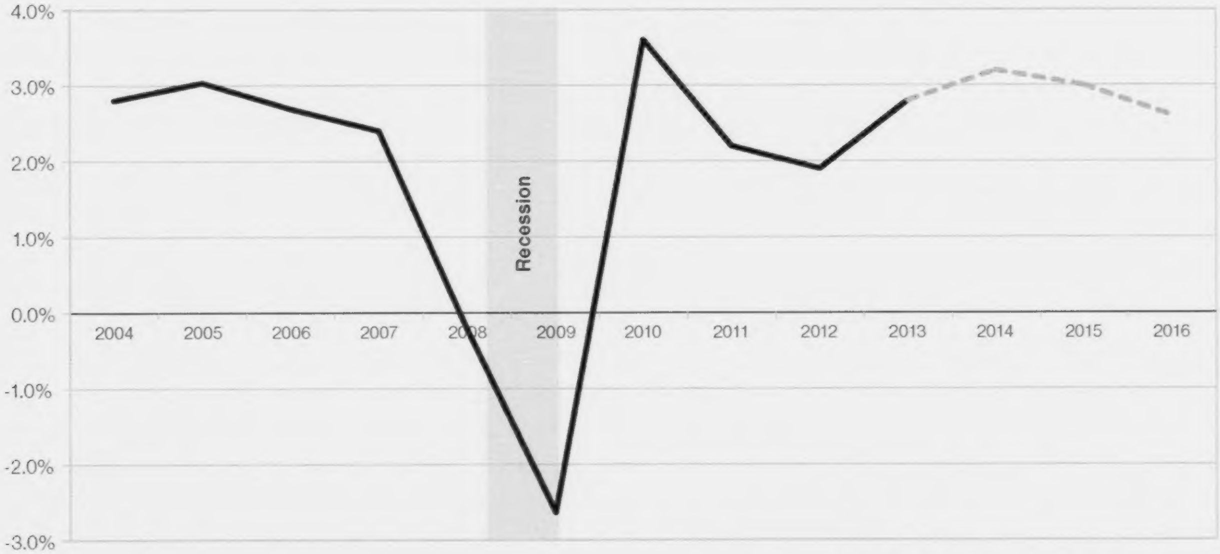
At the end of 2009 and early 2010, Canada's economic rebound was driven by buoyant consumer spending, a hot housing market, and significant government fiscal stimulus. However, economic growth slowed from a level of 3.2% in 2010, to 2.4% in 2011 and 1.8% in 2012, due to a retreat in household, business and government spending and the recurring crises stemming from the European Union and mixed signals coming from the U.S. economy. Canada's real GDP is forecasted to see a return to above 2% growth from 2013-2016, as interest rates are expected to remain low and the U.S. economy is continuing to show slow but steady improvement, particularly in the real estate and automotive sectors. Specifically, the Conference Board of Canada is forecasting growth of 2.3% in 2013 and 2.6% in 2014, before slipping back to economic growth levels of 2.4% in 2015, 2.1% in 2016 and 1.9% in 2017.

At the provincial level, Ontario was amongst the harder-hit provinces in the latest recession due to its concentration of automotive and other manufacturing industries. After taking a heavy beating in 2009, Ontario rebounded with healthy growth of 3.2% in 2010 largely due to a quick recovery in auto and parts exports, outperforming all Canadian provinces. Global economic uncertainty and a sluggish U.S. recovery contributed to a lower level of growth of 2.0% in 2011 and 1.8% in 2012. The Conference Board is forecasting that Ontario's real GDP will rebound to 2.1% growth in 2013 followed by 2.6% growth in 2014, fuelled by solid growth in business investment and rising exports. Economic growth is then expected to slip starting in 2015 with the Conference Board forecasting economic growth of 2.4% in that year, 2.3% in 2016 and 2.0% growth in 2017. Employment growth is expected to remain modest throughout the forecast period.

At the local level, the goods sector was hardest hit during the economy downturn that began in Toronto in the third quarter of 2008 into 2009. However, the region's economy rebounded in 2010 with impressive real GDP growth of 3.6%, led by renewed strength in manufacturing, construction, and wholesale and retail trade, as well as government stimulus spending. Unrest in the global economy and weaker consumer spending contributed to a slowdown in economic growth of 2.2% in 2011 and 1.9% in 2012. The housing sector remained resilient, however, which in turn had a positive impact on the finance, insurance and real estate sectors. Preparation for the 2015 Pan Am Games in the Toronto region is expected to provide an economic stimulus in non-residential construction in the years leading up to the event. As well, revitalization of the Queen's Quay area and Union Station, LRT expansion along Eglinton, Sheppard and Finch Avenues and the Toronto-York Spadina Subway extension are large projects that will continue to support the local construction industry. As the following chart illustrates, the Conference Board is forecasting that Toronto CMA is expected to encounter growth of 2.8% real GDP growth in 2013, 3.2% in 2014 and an average of 2.7% over 2014-2017 forecast period. The higher economic growth in the forecast period is supported by an improving U.S. economy which will in turn boost growth in many sectors including Manufacturing, Transportation and Warehousing.

GDP GROWTH RATE

TORONTO CMA

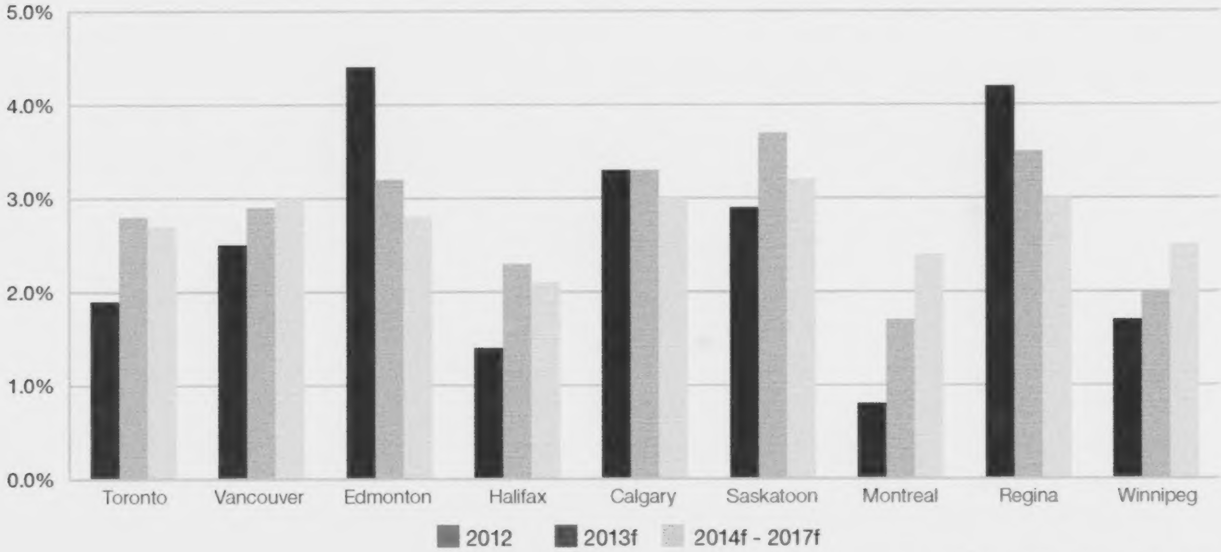


Source: Conference Board of Canada Metropolitan Outlook: Winter 2013

The following chart compares the economic growth of major Canadian city-regions (CMAs). Going forward, Toronto will see healthy, improving growth, but will trail behind the mid-west regions (Calgary, Edmonton and Regina) as their strong oil sand construction activities and the expanding energy sectors help propel faster growth in those regions.

REAL GDP GROWTH

MAJOR CANADIAN CITY REGIONS (CMA)



Source: Conference Board of Canada Metropolitan Outlook Winter 2013

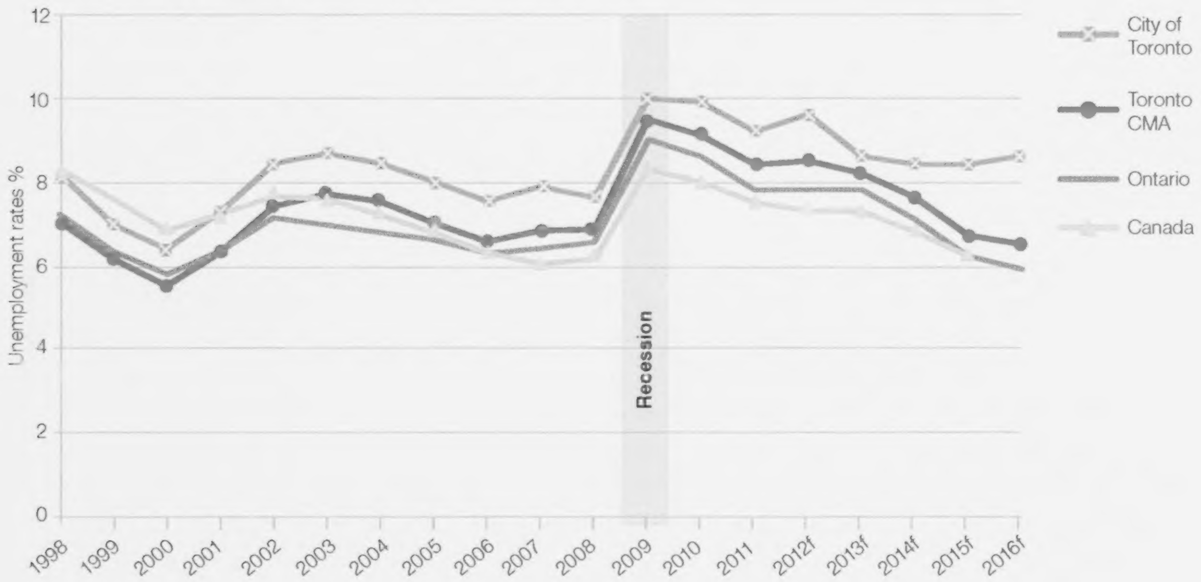
Economic Indicators

- **Unemployment Rate**

Within the Toronto region, the city and the rest of the CMA region ("905") exhibited different economic growth patterns. In the city, job losses during the recession coupled with decreased participation rates led the city's unemployment rate to increase to 10% in 2009, a level not seen since the early/mid-1990s. Despite having emerged from the recession, Toronto's unemployment rate remained stubbornly high at 9.9% in 2010, 9.2% in 2011 and 9.6% in 2012. Going forward, while slow improvement is expected, the City's unemployment rate will continue to lag behind the rest of the CMA, Ontario and Canada and remain persistently higher than pre-recession levels at 8.6% in 2013, 8.4% in 2014 and 2015 and 8.8% in 2016.

UNEMPLOYMENT RATES

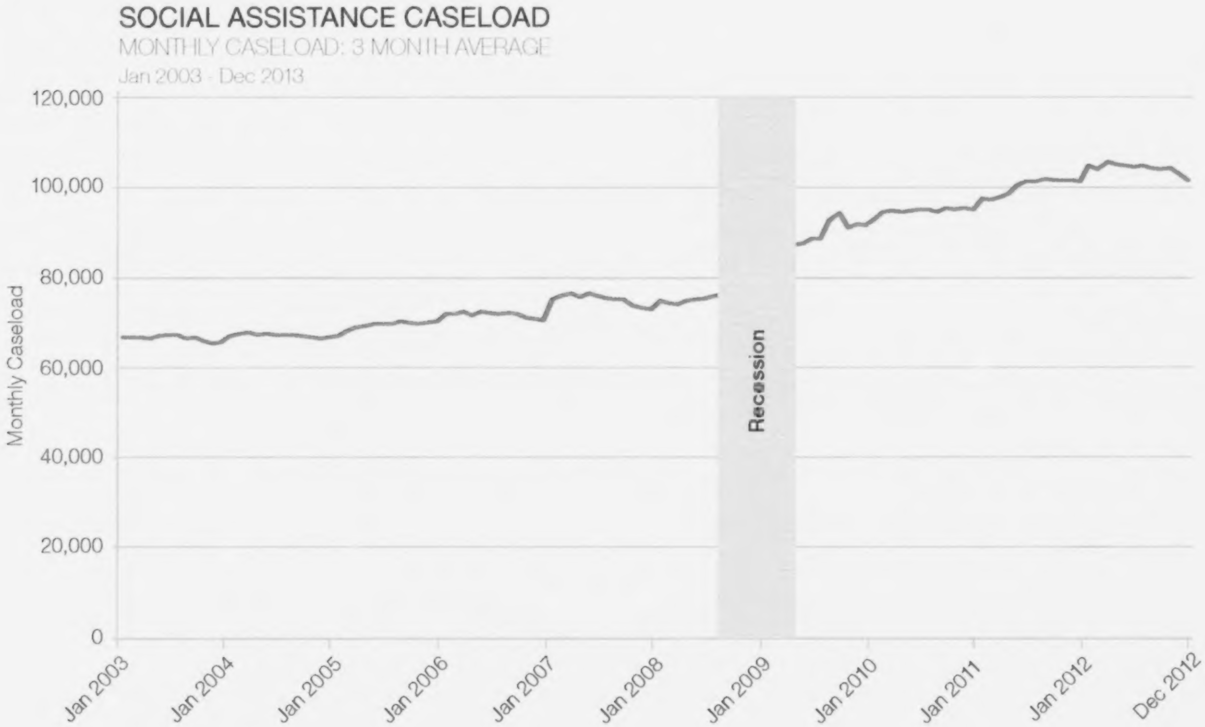
CITY OF TORONTO, TORONTO CMA, ONTARIO AND CANADA



Source: Labour Force Survey, Statistics Canada
Forcast: Conference Board of Canada

- **Social Assistance Caseload**

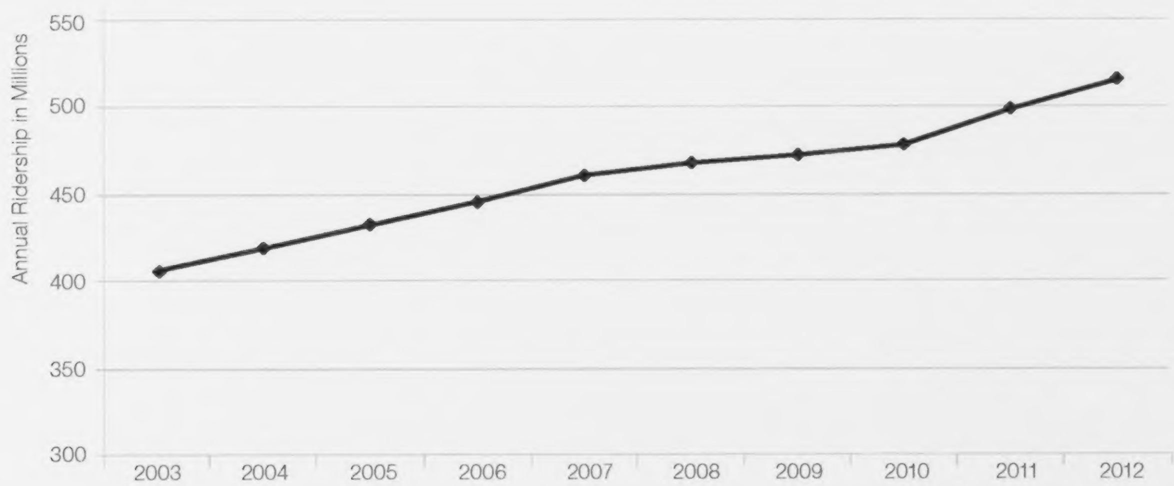
The number of cases and people on social assistance are largely dependent on the unemployment rate, and to a certain extent, population and participation rate. The City's Social Assistance (Ontario Works) caseload has followed a similar historical trend as its unemployment rate (although lagging by anywhere from six to twelve months). The following chart shows that while the caseload has generally trended upward since 2002, the rate of increase has been more pronounced since the start of the most recent recession in 2009. Since January 2009, the number of cases has risen approximately 57% to 101,428 cases at end of 2012. Commencing in 2012, a new category of cases has been added to the Ontario Works Caseload statistics. These are Ontario Works cases at City Hostels that are now referred to the Ontario Disability Support Program which amounted to approximately 36,000 cases in 2012.



- **Transit Ridership**

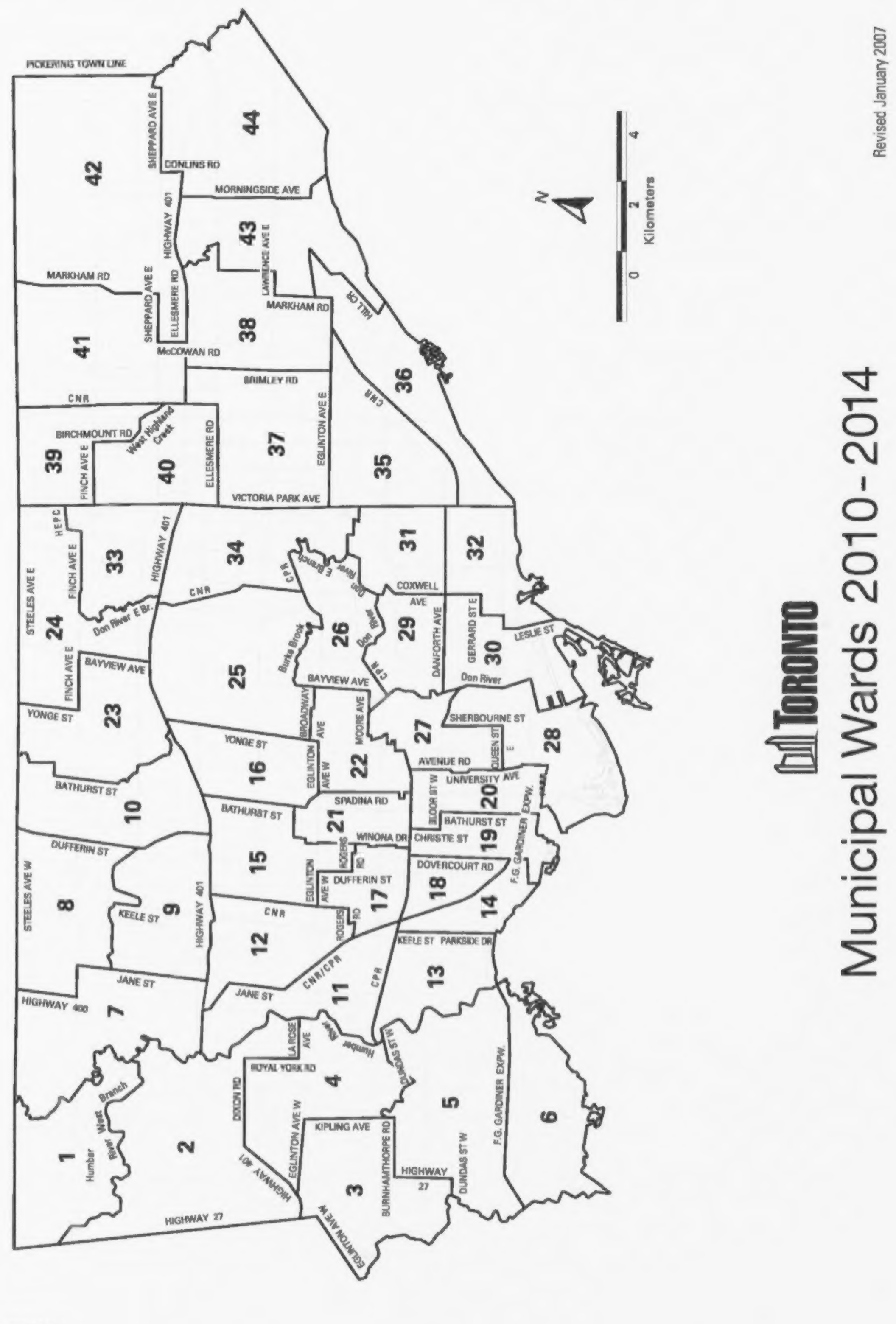
The Toronto Transit Commission established a new record for 12-month ridership with a projected 514 million riders in 2012, representing an impressive 14 million rider increase over the 2011 actual ridership. The TTC took steps in 2012 to add extra service to meet the increase in ridership, with increased service on 77 subway, streetcar and bus routes. Additional service will be added in 2013 to meet the anticipated ridership demand. The TTC also took steps in 2012 to improve its customer service. The combination of the successful implementation of the TTC's Ridership Growth Strategy, higher gas prices, and the economic recovery are cited as additional factors explaining the record ridership levels.

TRANSIT RIDERSHIP



Source: Toronto Transit Commission

MAP OF ELECTORAL WARDS



TORONTO CITY COUNCIL


Mayor Rob Ford


Ward 1
Vincent Crisanti


Ward 2
Doug Ford


Ward 3
Doug Holyday


Ward 4
Gloria Lindsay Luby


Ward 5
Peter Milczyn


Ward 6
Mark Grimes


Ward 7
Giorgio Mammoliti


Ward 8
Anthony Perruzza


Ward 9
Maria Augimeri


Ward 10
James Pasternak


Ward 11
Frances Nunziata


Ward 12
Frank Di Giorgio


Ward 13
Sarah Doucette


Ward 14
Gord Perks


Ward 15
Josh Colle


Ward 16
Karen Stintz


Ward 17
Cesar Palacio


Ward 18
Ana Bailão


Ward 19
Mike Layton


Ward 20
Adam Vaughan


Ward 21
Joe Mihevc


Ward 22
Josh Matlow


Ward 23
John Filion


Ward 24
David Shiner


Ward 25
Jaye Robinson


Ward 26
John Parker


Ward 27
Kristyn Wong-Tam


Ward 28
Pam McConnell


Ward 29
Mary Fragedakis


Ward 30
Paula Fletcher


Ward 31
Janet Davis


Ward 32
Mary-Margaret McMahon


Ward 33
Shelley Carroll


Ward 34
Denzil Minnan-Wong


Ward 35
Michelle Berardinetti


Ward 36
Gary Crawford


Ward 37
Michael Thompson


Ward 38
Glenn De Baeremaeker


Ward 39
Mike Del Grande


Ward 40
Norman Kelly

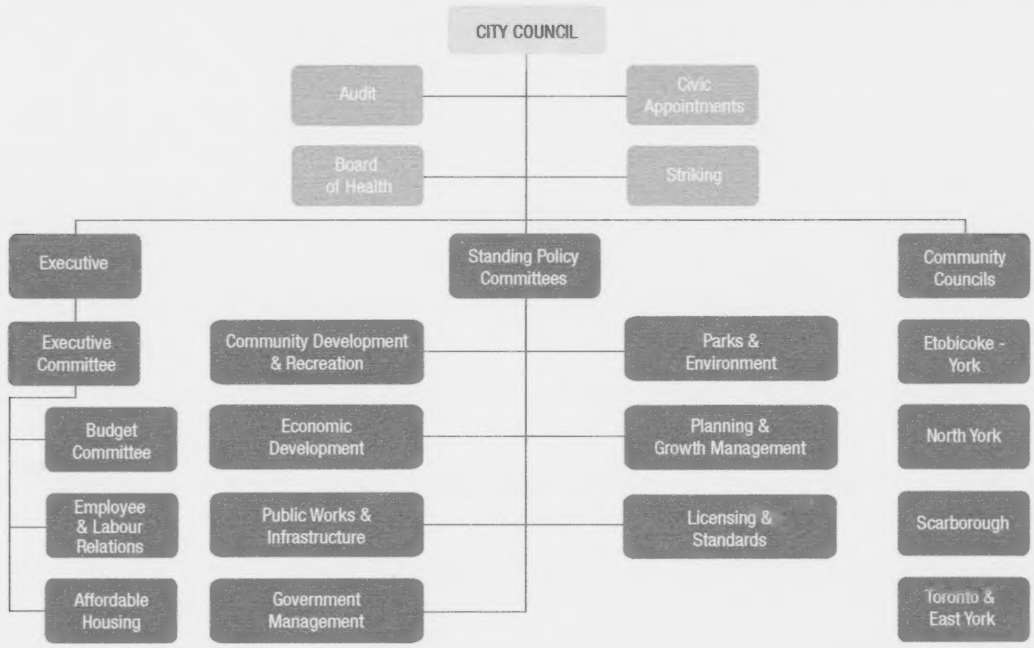

Ward 41
Chin Lee


Ward 42
Raymond Cho


Ward 43
Paul Ainslie


Ward 44
Ron Moeser

2010-2014 EXECUTIVE COMMITTEE & STANDING COMMITTEE MANDATES



2010-2014 EXECUTIVE COMMITTEE AND STANDING COMMITTEE MANDATES

EXECUTIVE COMMITTEE:
The Executive Committee's mandate is to monitor and make recommendations on the priorities, plans, international and intergovernmental relations, and the financial integrity of the City.

The responsibilities of the Executive Committee include:
(1) Council's strategic policy and priorities in setting the agenda;
(2) Governance policy and structure;
(3) Financial planning and budgeting;
(4) Fiscal policy including revenue and tax policies;
(5) Intergovernmental and international relations;
(6) Council and its operations; and
(7) Human resources and labour relations.

The Executive Committee makes recommendations or refers to another committee any matter not within the Standing Committee's mandate or that relates to more than one Standing Committee.

AUDIT COMMITTEE
The responsibilities of the Audit Committee include:
1. Recommending the appointment of the City's external auditor;
2. Recommending the appointment of an external auditor to conduct the annual audit of the Auditor General's office;
3. Considering the annual external audit of the financial statements of the City and its agencies, boards, and commissions;
4. Considering the external audit of the Auditor General's office;
5. Considering the Auditor General's reports and audit plan;
6. Conducting an annual review of the Auditor General's accomplishments;
7. Making recommendations to Council on reports the Audit Committee considers.

STANDING COMMITTEES
The standing committees are organized along seven broad policy areas:

Community Development and Recreation Committee – will focus on social inclusion and undertake work to strengthen services to communities and neighbourhoods.

Economic Development Committee – will focus on the economy and undertake work to strengthen Toronto's economy and investment climate.

Public Works and Infrastructure Committee – will focus on infrastructure and undertake work to deliver and maintain Toronto's infrastructure needs and services.

Government Management Committee – will focus on government assets and resources and undertake work related to the administrative operations of the City.

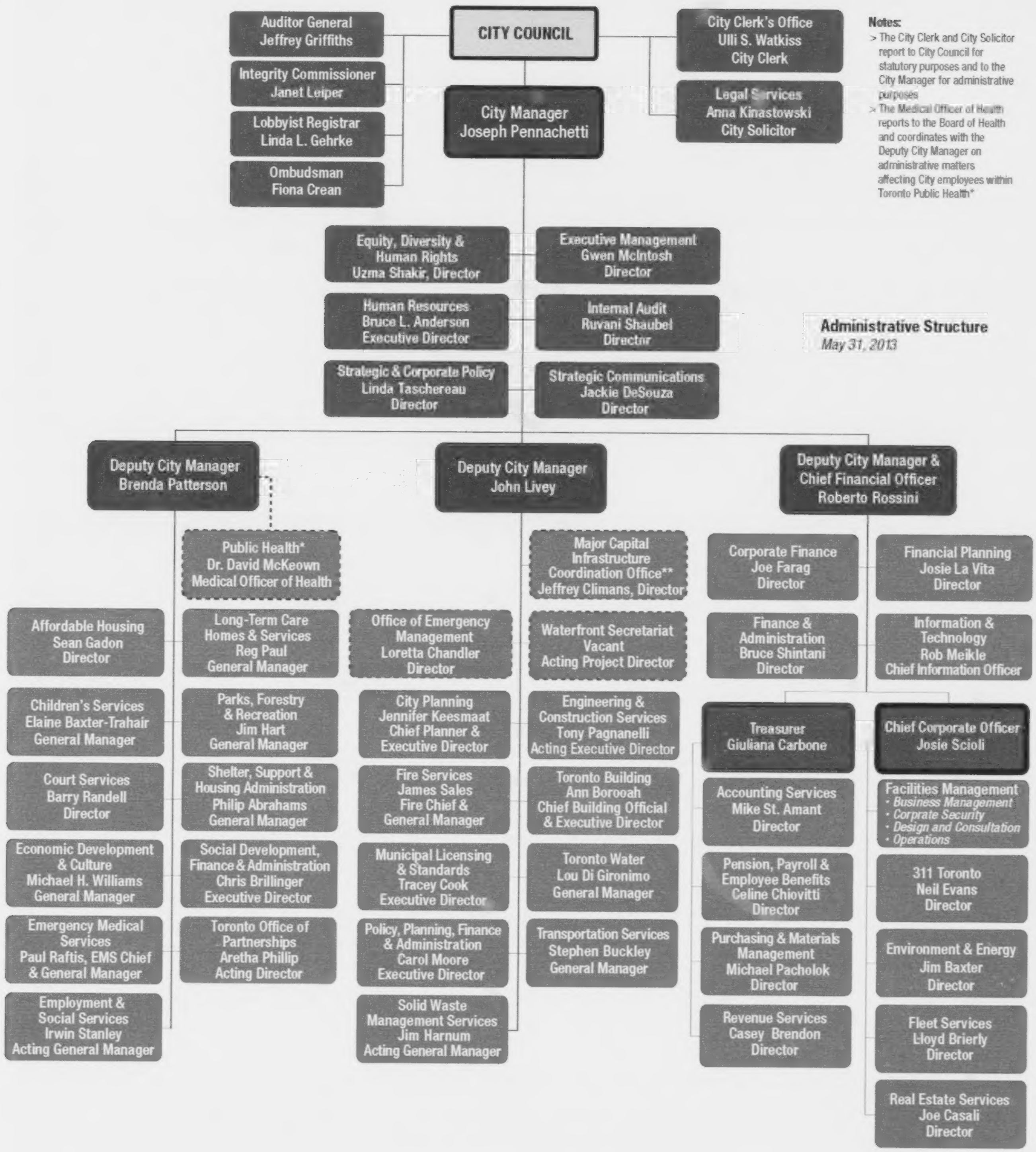
Parks and Environment Committee – will focus on the natural environment and undertake work to ensure the sustainable use of Toronto's natural environment.

Planning and Growth Management Committee – will focus on the urban form and undertake work related to good city planning and sustainable growth and development.

Licensing and Standards Committee – will focus on consumer safety and protection and undertake work related to licensing of businesses and enforcement of property standards.

Note: Reference should be made to the Municipal Code – Chapter 27, Council Procedures, for the specific responsibilities of each committee.

CITY ADMINISTRATIVE STRUCTURE



Notes:

- The City Clerk and City Solicitor report to City Council for statutory purposes and to the City Manager for administrative purposes
- The Medical Officer of Health reports to the Board of Health and coordinates with the Deputy City Manager on administrative matters affecting City employees within Toronto Public Health*

Administrative Structure
May 31, 2013

CITY OF TORONTO SPECIAL PURPOSE BODIES

AGENCIES [1]

Service Agencies

- Board of Health
- Exhibition Place
- Heritage Toronto
- Police Services Board
- Public Library Board
- Sony Centre for the Performing Arts (operating name for Hummingbird Centre)
- St. Lawrence Centre for the Arts
- Toronto Atmospheric Fund
- Toronto Centre for the Arts
- Toronto Parking Authority
- Toronto Transit Commission
- Toronto Zoo
- Yonge-Dundas Square

Community-Based:

- 8 Arena Boards
- 10 Association of Community Centre Boards (AOCCs)
- 73 Business Improvement Areas (BIAs)

Quasi-Judicial & Adjudicative Boards

- Committee of Adjustment
- Committee of Revision
- Compliance Audit Committee
- Property Standards Committee/Fence Viewers
- Rooming House Licensing Commissioner and Deputy [3]
- Sign Variance Committee
- Toronto Licensing Tribunal

Partnered Agency

- Toronto and Region Conservstion Authority

CORPORATIONS [2]

City Corporations

- Build Toronto Inc.
- Casa Loma Corporation
- Invest Toronto Inc.
- MasterCard Centre (operating name for Lakeshore Arena Corporation)
- Toronto Community Housing
- Toronto Hyrdo Corporation
- Toronto Port Lands Company (operating name for Toronto Economic Development Corporation)

Partnered Corporations

- Enwave Energy Corporation [4]
- Waterfront Toronto

Notes:

1. Previously referred to as agencies, boards and commissions.
2. Ontario Business Corporations Act (OBCA) corporations.
3. Rooming House Licensing Commissioner and Deputy are Officers, rather than an agency of the City, but in all other respects function as a quasi-judicial and adjudicative board.
4. Effective October 31, 2012 all shares of Enwave Energy Corporation were sold to Brookfield Asset Management Inc.

Updated: July 2013

2012 FINANCIAL CONDITION & PERFORMANCE

CITY OF TORONTO FINANCIAL REPORT

A MESSAGE FROM THE DEPUTY CITY MANAGER & CHIEF FINANCIAL OFFICER

ROBERTO ROSSINI

The 2012 Annual Financial Report for the City of Toronto provides an in depth look at the City's financial performance over the past year, and highlights the progress towards the major goals for Toronto's residents and businesses.

A key goal of the City's long term financial plan is to ensure the City maintains its key infrastructure in a state-of-good repair. Additionally, significant investments in expanding transit infrastructure to meet the demands of a growing population are being made over the next decade. When the 2013 Capital Budget was launched in November 2012, a non-debt financing strategy was unveiled to fund an additional $1.2 billion in capital needs for state-of-good-repair of the Gardiner Expressway and major roads, plus additional TTC projects to accommodate ridership growth and to provide easier access for riders.

In October of 2012, City Council approved the sale of its 43% ownership of Enwave resulting in a net profit of $97 million that will be used to help fund the 2013-2022 Capital Plan requirements. Build Toronto and the Toronto Port Lands Company have made excellent progress on the development and sale of surplus City real estate assets and paid the City $60 million in dividends during 2012. The City finished 2012 with a $248 million overall operating surplus. 75% of the surplus is dedicated to capital purposes as part of the City's capital financing strategy. The other 25% is used to offset operating reserves, liabilities and other funding pressures.

The Service Review Program launched by the City in 2011 set the foundation for City services and service levels, and efficiencies identified through the Program were instrumental in helping the City address operating budget pressures in 2013.

For the sixth consecutive year, the City of Toronto has won the Government Finance Officers Association of the United States and Canada award for excellence in financial reporting. The City of Toronto also won the Government Finance Officers Association's Distinguished Budget Presentation Award. Summarizing the activities of such a diverse and complex city is extremely challenging and these awards could not have been possible without the dedication of the professional team that I have the privilege to work with every day.

Roberto Rossini

Roberto Rossini
Deputy City Manager & Chief Financial Officer

FISCAL CAPACITY

Toronto enjoys a well diversified economy, relatively low business costs, a well-educated workforce and good infrastructure, which allows it to be well positioned to compete internationally. The city government has a sound financial base, as reflected by its high credit rating (at AA+, one level below the maximum AAA) and its healthy accumulated surplus and strong cash position.

The City's structural shortfall comprises two components:

- A cumulative component due to downloaded programs, and
- An annual component due to annual shortfalls.

In an effort to eliminate the annual shortfall, the City in 2011 commenced a Service Review Program consisting of a Core Service Review, Service Efficiency Studies and a User Fee Review. In 2012, Service Efficiency and base budget reductions reduced expenditures by about $137 million while service adjustments reduced spending by an additional $60 million.

As a result of the User Fee Review, City Council approved a new corporate policy for setting the price of user fees and determining the amount that should be recovered. New policies to fully recover costs, where appropriate, and the identification of additional opportunities for collecting user fees, are expected to result in higher user fee revenues in future years.

Annual salaries and benefits cost pressures are traditionally the largest component of the structural shortfall. As a result of successful labour negotiations in the winter of 2011/2012, these cost pressures have been reduced significantly. The City is expected to save approximately $150 million over 2012-2015 through changes to workplace practices and benefits, and benefit liability reduction. Increased management flexibility as a result of the new agreements will also allow managers to improve customer service while reducing costs further.

The 2008-2009 economic recession had put the City's fiscal capacity under additional stress. Revenues and expenditures that were sensitive to the economic conditions created additional operating budget pressures. As indicated earlier, certain economy-sensitive costs have not returned to the pre-recessionary levels. For example, Social Assistance caseloads have increased by about 34% in 2012 when compared with the 2008 level. On the other hand, low interest costs have offset some other budget pressures and have helped to boost construction activity in the City. The unemployment rate for City residents remains higher than elsewhere in Canada.

The Municipal Land Transfer Tax (MLTT) has helped to grow the City's revenues, contributing about 3% to the tax-supported operating budget. MLTT revenues have continued to grow since implementation in 2008 as low mortgage rates have helped to keep housing sales strong in the City of Toronto.

PHYSICAL INFRASTRUCTURE

The City owns a significant amount of physical assets - comprised of roads, expressways, bridges, traffic signal controls, water and wastewater treatment facilities, distribution and collection pipes, reservoirs, pumping stations, subways, streetcars, buses, civic centres, recreation facilities, public housing buildings, parkland and other lands. This infrastructure, excluding land, is currently estimated to be worth in excess of $67 billion. The City's capital program is driven largely by the costs of maintaining these physical assets in a state of good repair.

	Estimated Physical Asset Value
Transportation Infrastructure	**$10 Billion**
Water & Wastewater Infrastructure	**$28 Billion**
Public Transit System	**$14 Billion**
Buildings, Facilities & Fleet	**$ 9 Billion**
Housing Infrastructure	**$ 6 Billion**
Total (excludes land and parkland)	**$67 Billion ++**

The City's road network, the majority of which was constructed in the 1950s and 1960s, is in need of major repair and rehabilitation. In recognition of the need to reduce the State-of-Good Repair backlog related to the City's transportation infrastructure, 84% of the 2013-2022 Capital Plan for Transportation Services is dedicated to State-of-Good-Repair projects, compared to approximately 70% across all other Programs. The City's water and wastewater network is similarly aged — 50% of the water pipes and 30% of wastewater pipes are more than 50 years old, while 7% of watermains and 3% of wastewater infrastructure are more than 100 years old. Recognizing the need to eliminate the State-of-Good-Repair backlog by 2022, successive water rate increases (9% per year from 2012 to 2014 and then 3% thereafter) have been incorporated into the Capital Plan.

In addition, capital requirements resulting from population growth and demographic changes will add additional financial pressures. The City's 2002 Official Plan projects population growth of up to a million people in the City of Toronto, raising the population to 3.5 million people in 30 years. More transit, social housing, recreation centres, etc. are required, which will put pressure on the City's capital and operating budgets to provide additional services, and build and operate new facilities.

The investment in physical infrastructure is typically funded by the following sources: federal and provincial funding where applicable, reserve and/or reserve funds, development charges, donations, operating contributions and debt. Debt is the funding source of last resort for capital purposes.

Subsequent to the 2008-2009 recession, the federal and provincial governments introduced economic stimulus program funding (under the Infrastructure Stimulus Fund (ISF) and the Recreational Infrastructure Canada Program in Ontario and the Ontario REC (RInC-REC)). The stimulus funding for the City totalling $460 million over two years ending March 31, 2011 leveraged the City's capital program and enabled the City to continue to renew the infrastructure that supports its services. In December 2010, the federal government announced an extension for the completion of ISF – RInC projects to October 31, 2011. This allowed the City to maximize the utilization of funds available under these programs. As part of its 2009 stimulus budget, the federal government also created the "Municipal Infrastructure Lending Program (MILP)", which offered low-cost loans for municipalities to invest in residential infrastructure, local transportation infrastructure and wastewater treatment facilities. During 2010 and 2011, the City executed three loans through MILP totalling $120 million to finance capital works for roads and bridge improvements ($100 million) and municipal infrastructure related to social housing redevelopment ($20 million).

In setting the current Capital Budget and Plan, a key objective is to ensure that available resources are utilized to mitigate the State of Good Repair (SOGR) backlog and to minimize risks associated with delayed maintenance of the City's ageing infrastructure.

CAPITAL FINANCING AND DEBT

The City borrows money to finance capital expenditures. It cannot borrow to finance operating expenditures under the City of Toronto Act. The goal for capital financing is to maximize all funding from external sources, including federal and provincial governments, development charges, donations and reserve funding, before using the City's own revenue sources, namely operating contribution and issuance of debt. Toronto has enjoyed relatively low debt levels; however, in light of the growing capital infrastructure needs, there is a sizeable and growing gap between future capital expenditure needs and ongoing sustainable revenue sources. The City does not have the fiscal capacity for necessary growth related expenditures, e.g. TTC, Transportation, etc. For the next ten years, the TTC is projected to make up the majority of the new debt required to fund the City's capital requirements, most of which is for new infrastructure and enhancement projects rather than state-of-good-repair projects.

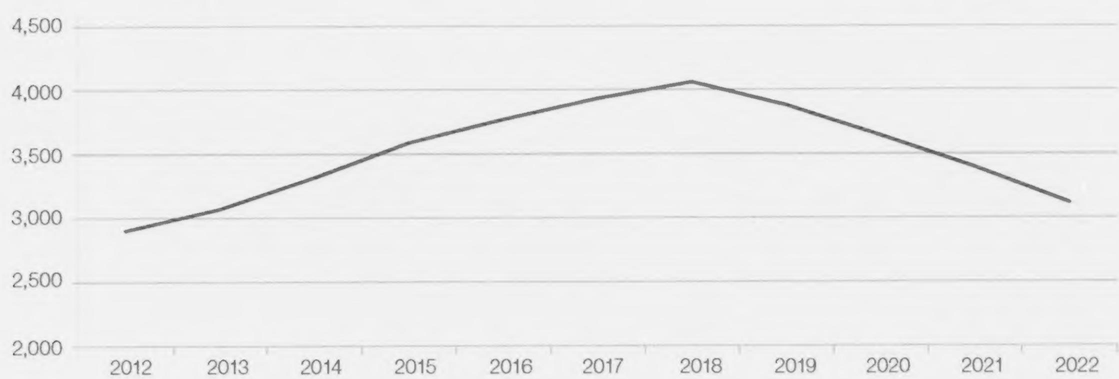
The City has implemented a framework for developing multi-year capital and operating budgets, and ensured that its limited resources are aligned to priorities to maximize the benefits for Toronto's residents.

The City in 2010 refinanced parts of its current and future debt by paying down existing debt, and borrowed funds for selected projects on 30-year terms as opposed to the usual 10-year term. The 30-year debt was used to finance long-term assets and more closely match the life span of the infrastructure being built or purchased, e.g. subway tunnels and subway cars.

As well, in 2010, the City used the proceeds of a Toronto Hydro promissory note that it held, to pay down approximately $600 million of existing debt by prepaying the City's sinking fund.

Even with the above-noted actions, estimates showed that the City's net long-term outstanding debt would increase from $2.9 billion at the end of 2012 to peak at nearly $4.1 billion in 2018, and decrease to $3.1 billion by 2022 as shown in the chart below.

CITY OF TORONTO
NET DEBT ($ MILLIONS)



City Council previously approved a debt service limit such that the debt service cost (annual principal and interest payments) should not exceed 15% of property tax revenues in a given year. This limit means that at least 85 cents on each tax dollar raised is available for operating purposes.

As indicated in the table below, $1.451 billion in new non-debt funding is needed to address TTC and Transportation Services' capital needs. Financing requirements are needed to fund both projects that have been approved as part of the 2012 – 2021 Capital Budget and Plan and new/increased capital projects that are included in the 2013 – 2022 Capital Budget and Plan.

2013 & Future Year Funding Requirements

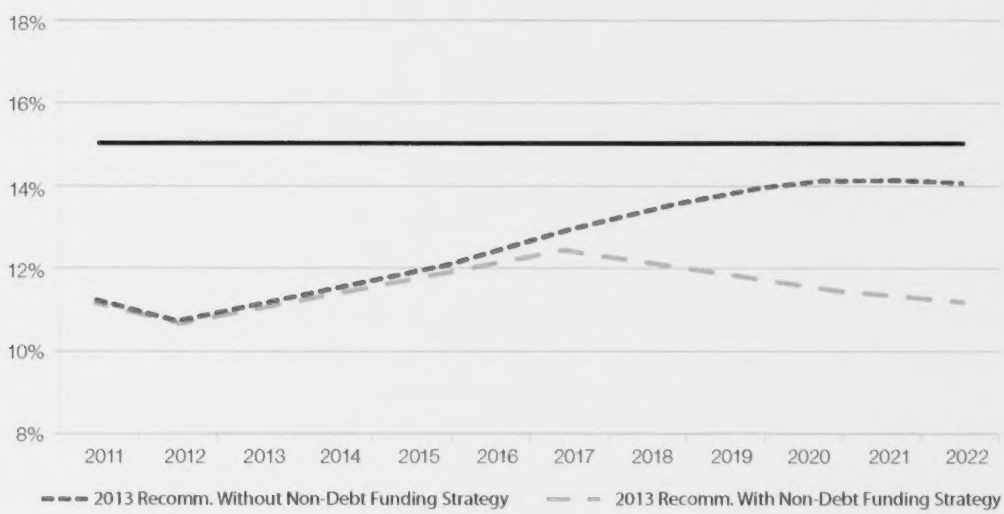
Description ($ Millions)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Current Shortfall - 2012 TTC Capital				41	125	80						**246**
2013 TTC Capital			42	48	70	85	114	116	60			**535**
2013 Transportation on Capital		15	64	65	68	78	78	69	77	78	79	**671**
Total	**0**	**15**	**106**	**154**	**263**	**243**	**192**	**185**	**137**	**78**	**79**	**1,452**

As shown in the chart below, with the addition of:

- the non-debt funding expected from proceeds from the use of prior year surplus operating funds;
- the monetization of City assets;
- continued contributions for transit and transportation infrastructure from the Federal and Provincial Governments; and,
- an anticipated increase in available development charge funding,

the buffer between the forecasted debt charges and the 15% limit is much wider than it would be if the additional transportation and transit funding needs were to have come from issuing new debt.

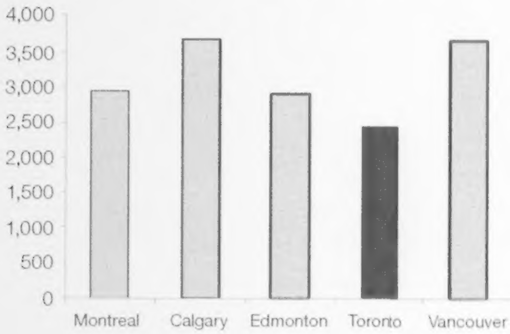
DEBT CHARGES AS % OF TAX LEVY
AND WITHOUT NON-DEBT FUNDING STRATEGY



Overall, the City's debt burden is relatively modest and its net total debt per capita compared favourably to other major Canadian municipalities. Interest costs as a percentage of total operating expenditures also compared favourably with the other major Canadian municipalities, as illustrated in the charts to follow below:

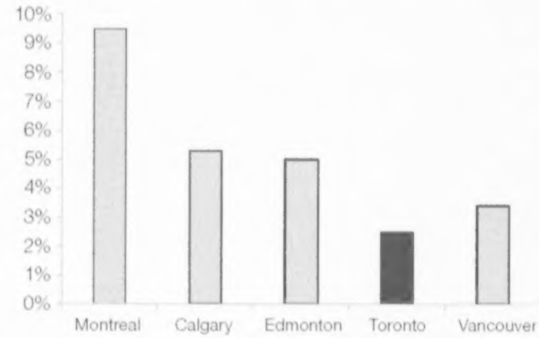
TORONTO'S NET DEBT COMPARES WITH MOST OTHER MAJOR CANADIAN CITIES

NET TOTAL DEBT PER CAPITA (2011) - DOLLARS



TORONTO'S INTEREST COST COMPARES FAVOURABLY WITH OTHER MAJOR CANADIAN CITIES

INTEREST COSTS AS A PROPORTION OF OPERATING EXPENDITURES (2011)



Source: DBRS Canadian Municipal Government Fact Sheet - January 18, 2013

CAPITAL MARKET AND INVESTMENT ACTIVITIES DURING 2012

Capital Market Activity

During 2012, the City issued in the public capital market $600 million of the $900 million that was approved for the year, consisting of $300 million 30-year debentures and $300 million 10-year debentures.

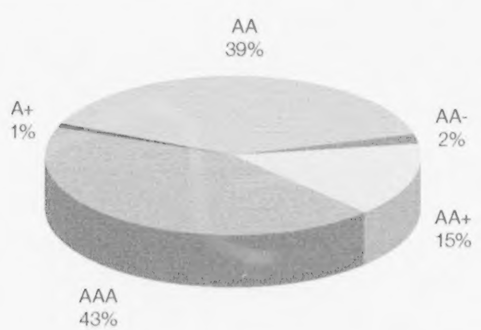
Increasing the term-to-maturity of the City debt issuance to match the economic life of the City's infrastructure assets and providing liquidity to investors through larger bond issues are very important features of the City's debt issuance program which has been structured to issue debt with 10 and 30 year terms as well as the ability to re-open bond issues, depending upon capital market conditions.

Investment Activity

The City owns and manages the General Group of Funds and the Sinking Fund, each having specific goals and objectives. The General Group of Funds is composed of two individual portfolios (the Bond and Money Market Funds). The Bond Fund is positioned towards funding the City's future reserve and reserve fund requirements and therefore takes a longer view of the market. The Money Market portfolio is primarily focused on ensuring that adequate liquidity is maintained to meet the immediate cash flow requirements of the City's daily operations. The Sinking Fund is for retiring the City's debt as it becomes due and payable. The City also manages other smaller funds where the assets are not owned by the City (e.g. Trust Funds).

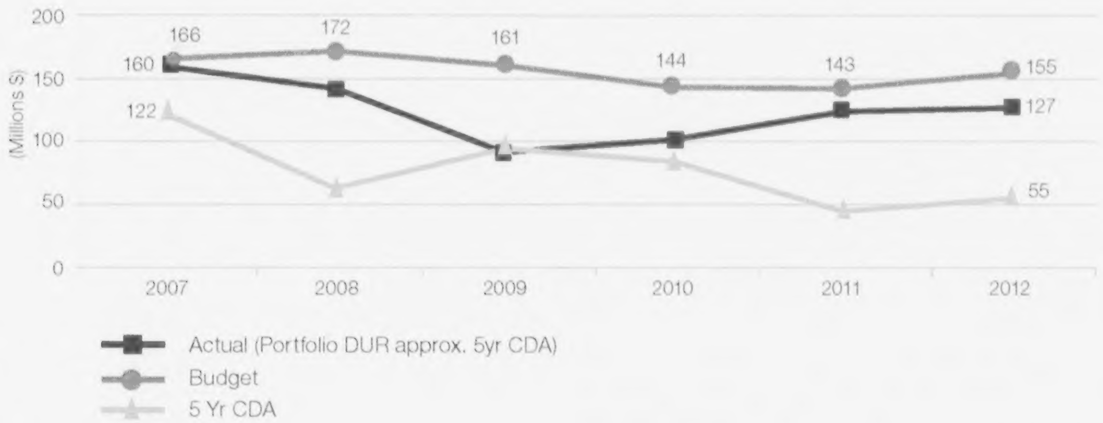
The City's bond portfolio continues to exhibit high credit quality and liquidity, especially during these extended periods of economic turbulence and market turmoil. The City does not hold any bonds with less than an "A" credit rating (see pie chart below).

CREDIT QUALITY OF BOND FUND
LONG TERM INVESTMENT
DECEMBER 31, 2012



In 2012, investment earnings on the City's General Group of Funds totalled $155 million. While Interest rates plummeted to historic lows in 2012, the City was still able to achieve investment earnings that exceeded budget.

CITY INVESTMENT INCOME COMPARED TO BUDGET AND
A 'BUY & HOLD' 5-YEAR GOVERNMENT OF CANADA BONDS STRATEGY



A 3.75% annual rate of return on capital was achieved in 2012 for the General Group of Funds.

Fund Type	Average Capital	Income	Return on Capital
Bond Fund	2,293,351,256	133,398,758	5.82%
Money Market Fund	1,835,309,813	21,674,741	1.18%
General Group of Funds	4,128,661,069	155,073,499	3.75%

RESERVES AND RESERVE FUNDS

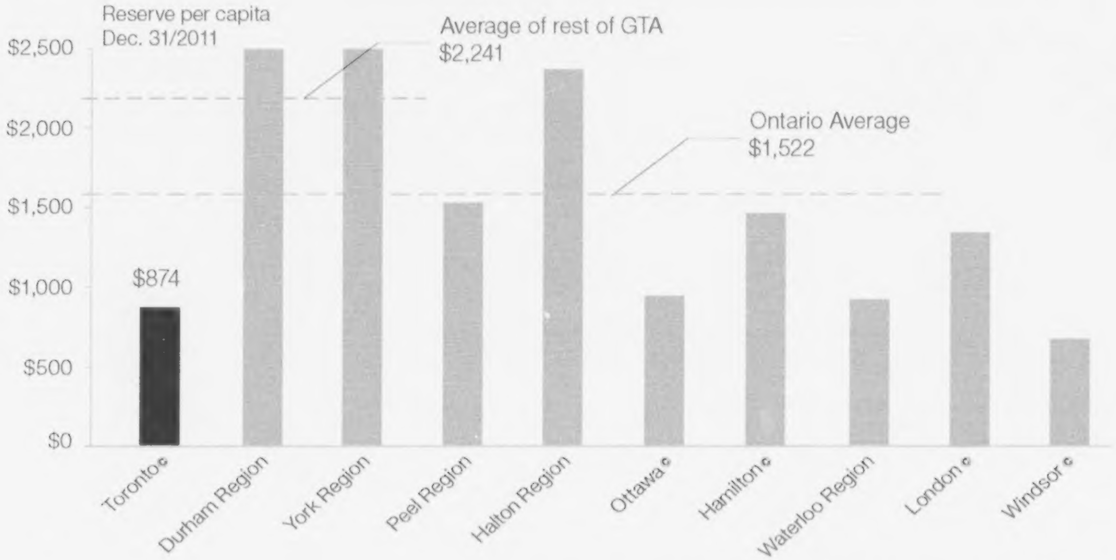
Reserves and Reserve Funds are monies set aside by Council to finance future expenditures for which it has authority to spend money, to defend the City against an unbudgeted or unforeseen event that may result in a budget deficit such as an economic downturn, to smooth out future program expenditures which may fluctuate from one year to the next, or to accumulate funds for future capital requirements or contingent liabilities. While the reserve fund balances would appear to be a large sum, it should be noted that the majority of these funds are committed to special purposes.

Toronto Municipal Code, Chapter 227 - Reserves and Reserve Funds - provides all pertinent information regarding the City's reserves and reserve funds, including definitions, the authority to establish new reserves and reserve funds, closing out inactive reserves and reserve funds, as well as the use and administration of reserves and reserve fund monies. A link to Chapter 227 of the Toronto Municipal Code is provided below:

www.toronto.ca/legdocs/municode/1184_227.pdf

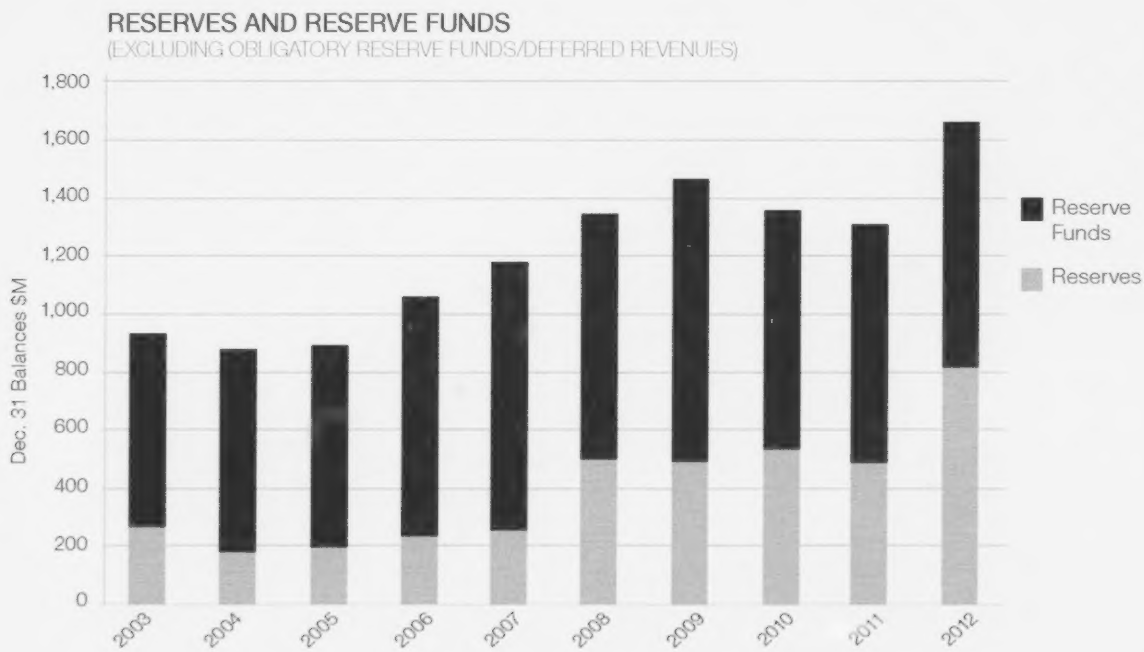
On a comparative basis, the City's overall reserve fund balance on a per capita basis is much lower than those in other Ontario jurisdictions. Toronto's 2011 reserve per capita of $874 was considerably less than the rest of the GTA ($2,241), and 57% of the provincial average ($1,522). The City has established long-term reserve strategies for major reserves, e.g. employee benefits reserves, landfill sites and water and wastewater stabilization reserves, to address and make sure that adequate funds are in place, including determining needs and establishing contribution policies.

RESERVE LEVELS ARE LOWER THAN THE REST OF GTA
BUT SOMEWHAT COMPARABLE TO OTHER CITIES/REGIONS



Sources: Ontario Ministry of Municipal Affairs & Housing - 2011 FIR
Regional data consolidated for upper and lower tiers
Balances include Obligatory Reserve Funds/Deferred Revenues

The following chart shows the historical trend of reserve and reserve fund balances since 2002. While the overall trend had been rising, this reversed in recent years as the City attempted to catch up on the State of Good Repair backlog and began to invest in major capital initiatives like transit. In 2012, the year-end balance rebounded sharply, in part due to operating surplus funds being directed to the Capital Financing Reserve and other underfunded Reserves and Reserve Funds as mandated by the City Council's Surplus Management Policy.



DEFERRED REVENUES

Funds that are set aside for specific purposes by legislation, regulation or agreement, and may only be used in the conduct of certain programs or the completion of specific work, are reported as Deferred Revenues (previously Obligatory Reserve Funds). These include funds received from the other orders of government, Development Charges from third parties earmarked for certain purposes, e.g. growth-related Transit, Social Housing, Parkland Acquisition, Long Term Care Homes and Services. These amounts are recognized as liabilities in the year the funds are deposited, and received into revenue in the fiscal year the related expenditures are incurred or services performed. These funds are all committed, some of which will be used to fund some of the City's priority capital needs like transit expansion, and are not available at Council's discretion.

REVENUES

PROPERTY TAX

Property tax revenue is the City's single largest source of revenue. The City collects $3.7 billion from residential and business property owners, which represents 39% of its total tax-supported Operating Budget.

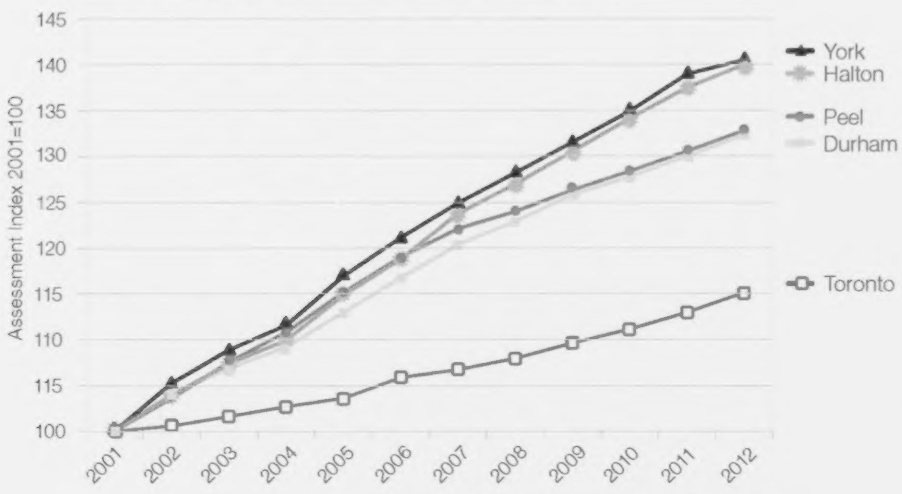
Each year, the City is required by provincial legislation to establish tax rates that raise property tax revenues in the amount of the City's budgetary requirement. In addition, the City is also required to levy and collect property taxes for school purposes at the education tax rates set by the Province.

The amount of property taxes payable by a property is determined by multiplying the Current Value Assessment (CVA) of a property by the applicable tax rate for that class of property (e.g., residential, commercial, industrial, or multi-residential) subject to any legislative or Council-mandated adjustments. The total tax rate for a class consists of a municipal tax rate necessary to meet the City's budgetary requirement and the education tax rate necessary to raise the amount required by the Province for education funding.

The Municipal Property Assessment Corporation (MPAC), a provincial agency, is responsible for property assessment in Ontario and preparing the assessment rolls for municipalities on a Current Value Assessment (CVA) basis. The CVA of a property represents an estimated market value, or the amount that the property would sell for in an open market, arm's length sale between a willing seller and a willing buyer at a fixed point in time.

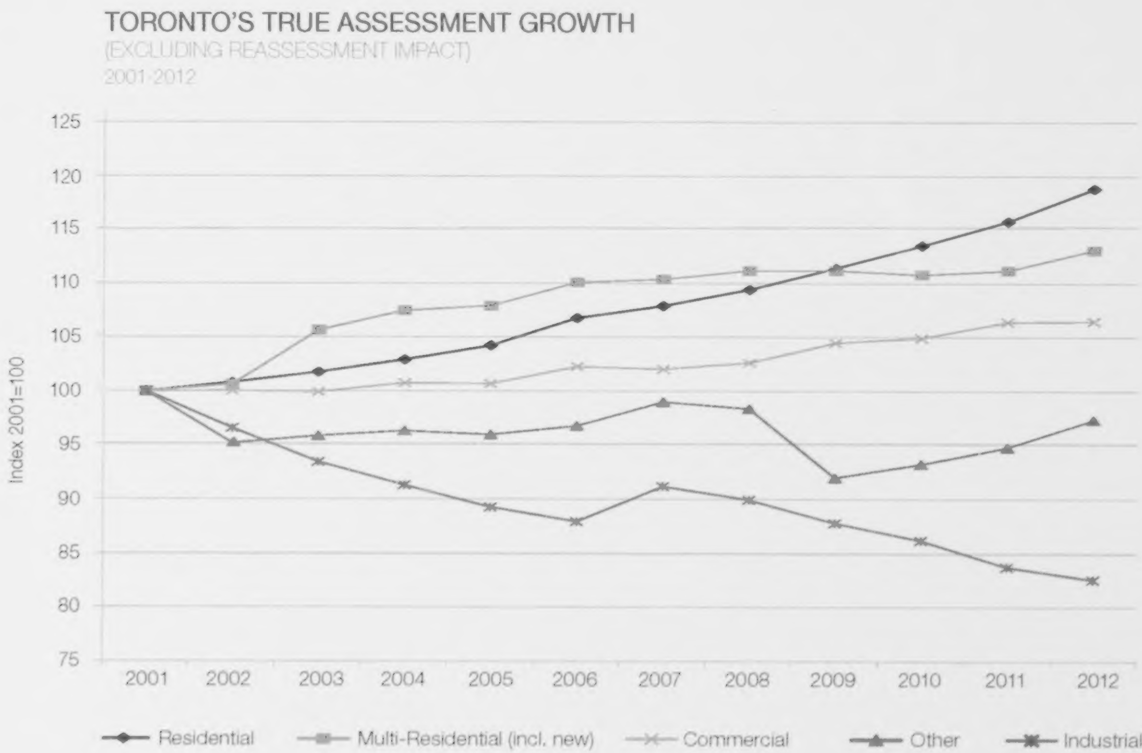
Over the last two decades, the GTA experienced quite remarkable economic and population growth following the recession of the early 1990s. The Toronto region (CMA) contains a number of the fastest-growing municipalities in Canada. The bulk of the new construction and the associated assessment increases are located in the surrounding areas in the GTA. For example, from 2001 to 2012 the rest of the GTA had assessment increases in excess of 30%: York Region: 41%, Halton Region: 40%, Peel Region: 33%, and Durham Region: 33%. By contrast, Toronto's property assessment in 2012 is just 15% above its 2001 level, partly due to the conversion of certain industrial properties into residential properties. This trend is illustrated in the chart to follow:

TORONTO DOES NOT HAVE THE SAME ASSESSMENT GROWTH ENJOYED BY THE NEIGHBOURING REGIONS



Source: Municipal Property Assessment Corporation

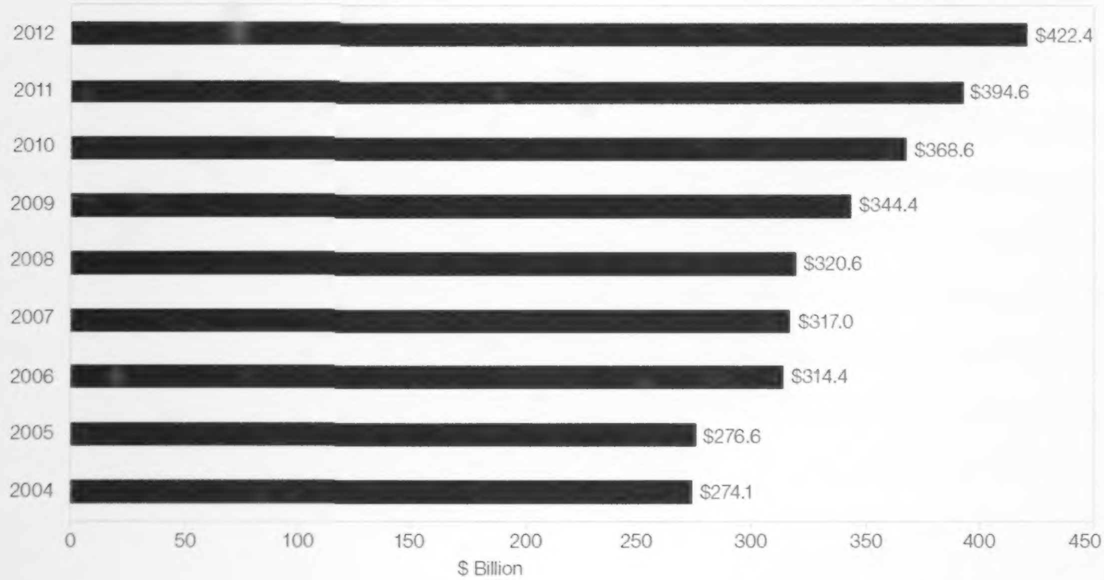
Since 2001, the total CVA of the City's properties has experienced a true net growth of 15% when the impacts of property reassessment are removed. Within the various property classes, residential properties had a true growth of 19%, and multi-residential properties had an increase of 13%. For the non-residential properties, while commercial properties had a modest 7% in true assessment growth, industrial properties had a net decrease of 17%. These trends are illustrated in the chart to follow:



Property Assessment

The following chart depicts the total value of all property classes of the City of Toronto's current value assessment in each of the years from 2004 to 2012.

TOTAL PROPERTY ASSESSMENT VALUES
CITY OF TORONTO 2004-2012



Beginning in 1998, Ontario municipalities whose commercial, industrial or multi-residential tax ratios exceed threshold ratios established by the Province, were restricted from passing on municipal levy increase to those classes. In Toronto, tax ratios for the commercial, industrial and multi-residential tax classes all exceed the provincial thresholds, as shown in the following chart. In years prior to 2004, this meant that no municipal levy (budgetary) increases could be passed on to these classes as the tax ratios exceed the threshold limits. This meant that instead of accessing the full assessment base, the City could increase tax rates only on the residential class at the time.

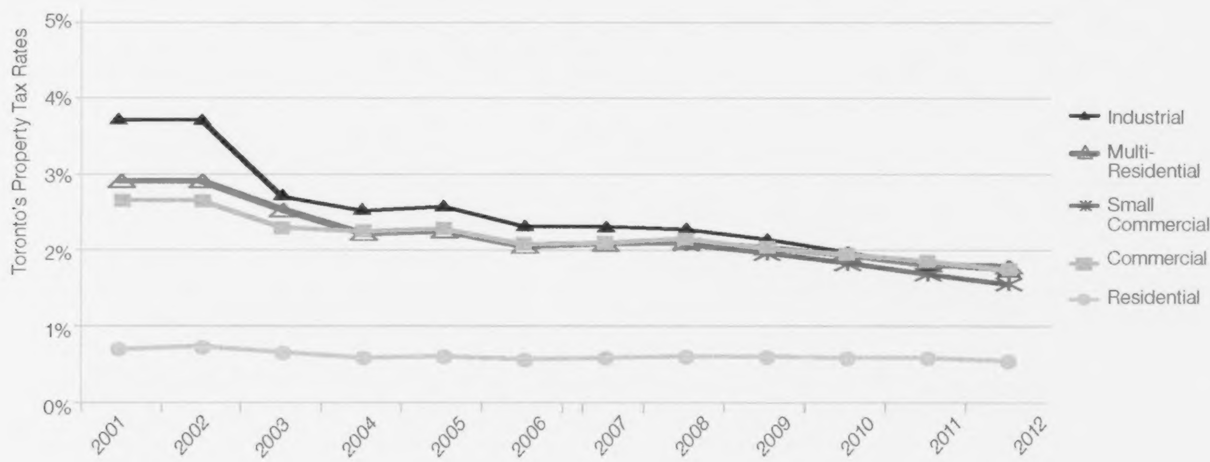
Toronto's Tax Ratios vs. Provincial Threshold Ratios

	Taxation Years												
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Provincial Threshold Ratios
Multi-residential	4.174	4.001	3.870	3.802	3.761	3.635	3.546	3.469	3.380	3.316	3.316	3.316	**2.74**
Commercial	3.798	3.513	3.516	3.762	3.802	3.674	3.584	3.506	3.373	3.267	3.237	3.212	**1.98**
Commercial Small								3.410	3.265	3.108	3.020	3.070	**1.98**
Industrial	5.301	4.120	4.120	4.273	4.273	4.090	3.920	3.740	3.547	3.375	3.237	3.212	**2.63**

Since 2004, the Ontario Government has in its annual budget introduced regulations, on a one-time basis, made adjustments to the municipal rules under the Ontario Property Tax System, which amongst other things, allowed tax rate increases on the non-residential classes to be no more than 50% of the tax rate increase for the residential tax class. Although the relaxing of the restriction on non-residential classes is not permanent, it does provide partial relief from the budgetary levy restrictions imposed by Provincial legislation.

In late 2005 Council approved a comprehensive property tax policy "Enhancing Toronto's Business Climate - It's Everybody's Business" to improve the business climate in the City. In 2006, Council implemented the policy of limiting municipal tax rate increases within the Commercial, Industrial, and Multi-Residential tax classes to one-third of the residential tax rate increase (i.e. a 3% residential tax increase would result in a 1% non-residential tax rate increase). This measure was designed to reduce non-residential tax ratios to 2.5 times the residential rate over 15 years. In addition, the policy provided for an accelerated tax rate reduction for neighborhood retail and small businesses that will see their tax ratios fall to 2.5 times residential within ten years (2015).

BUSINESS TAXES HAVE BEEN REDUCED



Other City efforts to enhance competitiveness have resulted in a successful agreement with the provincial government to reduce Business Education Tax (BET) rates for the City of Toronto businesses closer to the average of the surrounding GTA municipalities, creating a new, fair water rate structure for industrial and manufacturing companies and continuing the relief of development charges for the city's commercial industry.

The Municipal Act and the City of Toronto Act also mandates limits on re-assessment related tax increases to 5% per year for the commercial, industrial and multi-residential property classes, which for many properties in these classes may result in a phase-in towards their full CVA level of taxes.

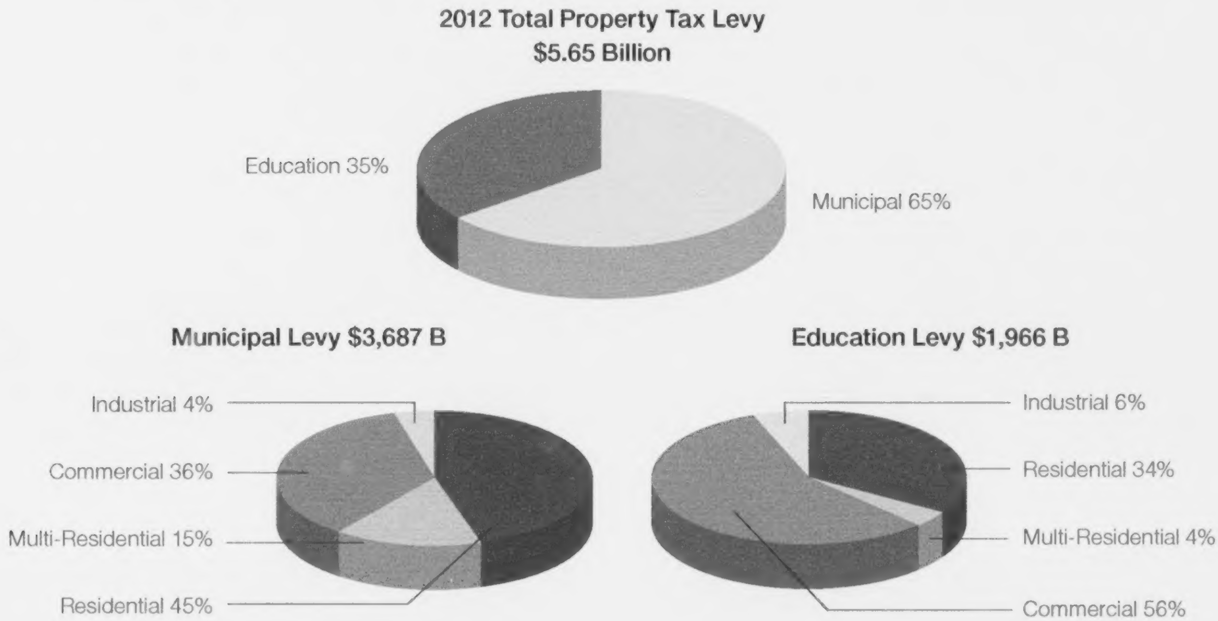
Special provisions to provide tax relief for low-income seniors and disabled persons, as well as charities and similar organizations, are also required.

Tax relief policies in effect for 2012 include:

- The cancellation of any tax increase for seniors aged 65 or older, or disabled person living with a household income of $36,000 or less, who have occupied their home for at least one year, and the home's assessed value is less than $575,000.
- The interest free deferral of any tax increase for seniors aged 50 years or older or disabled persons, whose household income is $50,000 or less and have owned the property for at least one year.
- A 40% rebate of taxes paid for registered charities owning or occupying space in commercial or industrial properties.

The following chart shows the total approved 2012 property tax levy totalling $5.65 billion, comprising $3.69 billion (65%) for municipal purposes and $1.97 billion (35%) for education purposes which the City collects on behalf of the Province of Ontario. The approved amounts may be different than the actual amounts received.

TORONTO 2012 PROPERTY TAX LEVY



	2012 Tax Rate	2012 Property Tax
Municipal Purposes	0.5501981%	$2,460
Educational Purposes	0.2210000%	$988
Total	**0.7711981%**	**$3,448**

Note: Property taxes based on an average residential home with a 2012 assessed (CVA) value of $447,090.

USER FEES

User fees are the City's second largest source of revenue. Excluding Toronto Water and the Toronto Parking Authority, the City collects over $1.4 Billion in user fee revenues annually through approximately 3,000 individual user fees.

As a result of a comprehensive User Fee Review in 2011, City Council approved a new corporate policy for establishing the initial and annual price of a user fee and determining the amount that should be recovered. A discussion of the key principles of the new user fee policy is provided in the Fiscal Capacity section.

A new funding system for Solid Waste Management Services, the volume-based rate structure, was implemented November 1, 2008 to fund the service objective of 70% waste diversion. This funding plan transforms Solid Waste Management (garbage, recycling, green bin, litter prevention, landfill management and other diversion programs) from being property-tax-based to user-fee-based, and its fees are now part of the City's Utility Bill, together with the water charges. The entire Solid Waste Management program is now funded from revenue other than property taxes (representing user fees, funding from Waste Diversion Ontario, and sales proceeds from recyclable materials).

FUNDING TRANSFERS FROM OTHER GOVERNMENTS

The City receives grants and subsidies from other orders of government which are mainly for mandated programs such as Social Assistance, Child Care, Public Health, Social Housing, and some Transit capital funding. These transfers represent about 19% of the total tax-and rate-supported Operating Budget.

OTHER TAXATION

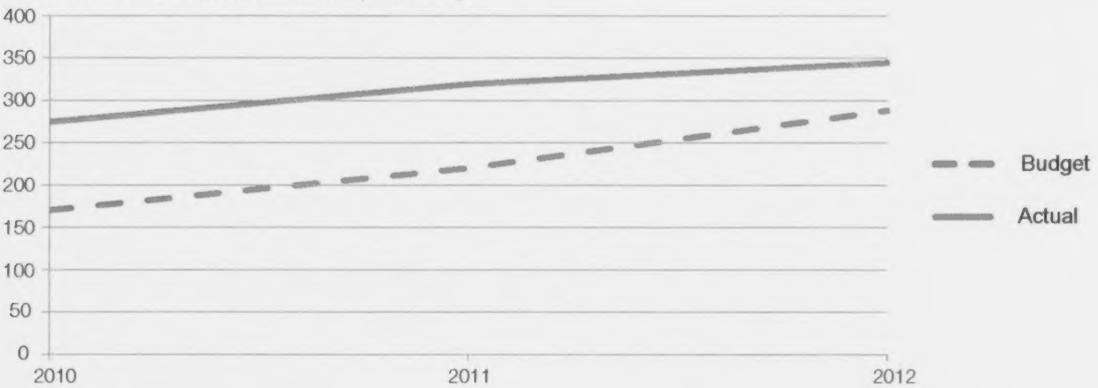
The City of Toronto is the only Ontario municipality with the legislative authority (City of Toronto Act, 2006) to allow it to levy taxes other than property taxes. The Municipal Land Transfer Tax (MLTT) was implemented on February 1, 2008, and Personal Vehicle Tax (PVT) on September 1, 2008. In 2010, the two taxes brought in revenues in excess of $320 million, or approximately 3% of the total tax-supported Operating Budget. On December 16, 2010, however, City Council approved the termination of the City's Personal Vehicle Tax (PVT) effective January 1, 2011.

MLTT revenues continue to exceed expectations. In 2011, MLTT revenues reached $324 million and $350 million in 2012, as low mortgage rates have helped to keep housing sales strong in the City of Toronto.

The following chart illustrates how the actual 2010, 2011 and 2012 revenues compared with the budget.

MUNICIPAL LAND TRANSTER TAX

BUDGET VS. ACTUAL REVENUE ($ MILLION)



OTHER REVENUE SOURCES

Other notable sources of revenue collected by the City of Toronto include: interest and investment income, licence and permit fees, fines and penalty fees, supplementary taxes, payments-in-lieu of taxes and utility cut recovery revenues.

CREDIT RATING

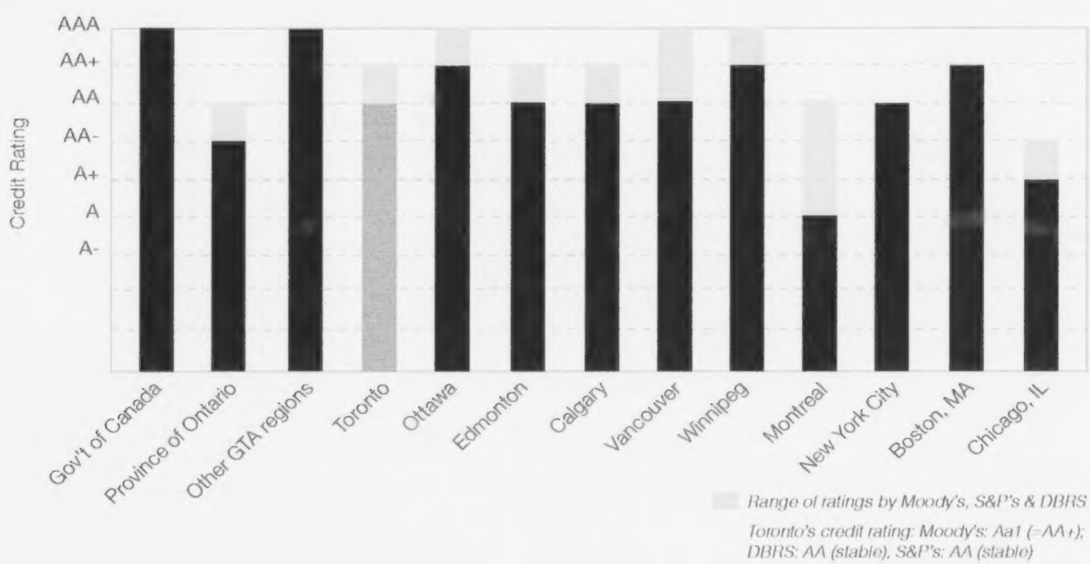
The City of Toronto is recognized as an important participant in global financial markets. The maintenance of a high quality credit rating is essential to ensure that the City's ability to access the most cost-effective world capital markets will continue as it needs to borrow funds for capital purposes.

Credit rating agencies assess the City's financial position by comparing it with other cities and regions. A number of factors affect the credit rating, such as: quality of management, strength of economy, level of reserves, state of repair of assets, debt levels, etc. If a municipality's current debt levels and future trends appear to be high, this will have a negative impact on its credit rating. If debt levels are considered low, this will have a positive impact. The rating essentially indicates the City's ability to make payments on the debt now and in the future.

Credit ratings affect the City's ability to borrow, as well as the cost of borrowing. A higher rating translates into a lower cost of borrowing, as well as a wider market for investors to invest in City debt. Below a certain rating, investors may have policies that don't allow them to purchase the City's debt. Then the City would have to offer a higher interest rate to attract investors.

The City's credit rating remains comparable to other large North American cities such as New York, Boston, Vancouver and Montreal.

TORONTO'S CREDIT RATING



Currently, the City of Toronto's credit ratings are:

- AA with a stable trend from the Dominion Bond Rating Service Ltd.(DBRS) – confirmed October 2012
- Aa1 with a stable outlook from Moody's Investor Service – confirmed May 2012
- AA with a stable outlook from Standard and Poor's Canada (S&P's) – July 2012

City of Toronto's Credit Rating History	1997 and prior	1998-2001	2002-2012
Dominion Bond Rating Service	AAA	AA (High)	AA (Stable) Last confirmed in October 2012
Standard and Poor's	AA+/AAA	AA+	AA (Stable) Last confirmed in October 2012
Moody's Investors Service	Aa2	Aa2	Aa1 (Stable) Equivalent to AA+ Last confirmed in October 2012

Credit Rating agencies regularly issue reports respecting the industries and individual issuers. Here are some of the excerpts from those reports that generally explained the high rating held by the City of Toronto.

"DBRS has confirmed the ratings of the City of Toronto (the City or Toronto) at AA. The trends remain Stable, supported by the City's ability to levy taxes on a large, well-diversified economy, and the strong resolve it has demonstrated in restraining spending and finding permanent solutions to eliminate the budget gap… The City has worked to contain the rate of spending growth in recent years, with the 2012 budget marking the first decline in gross expenditures since the City's amalgamation, largely supported by the service review program initiated in 2010. In the coming years, operations will benefit from the uploading of social service program costs, user fee rate adjustments, service review program-generated efficiencies and labour cost certainty and stability as a result of recently concluded contract negotiations… Debt service costs remain contained, at 2.5% of operating expenditure in 2011, one of the lowest levels among major Canadian municipalities."

DBRS, October 3, 2012

"The City of Toronto's debt rating of Aa1 reflects the city's low debt burden and correspondingly low debt service ratios, as well as the positive operating results recorded by the city over the past several years despite challenging financial circumstances which have necessitated the use of non-recurring measures to achieve balanced operating deficits. The high investment-grade rating also reflects a large and diversified economy, which remains a source of credit strength, providing access to a broad tax base. Moreover, the rating is supported by the city's high levels of net cash and investments, which provide substantial liquidity that could be tapped to mitigate unanticipated shocks, a considerable measure of safety for debenture holders. These high levels of internal unanticipated shocks, a considerable measure of safety for debenture holders."

Moody's Investors Service, June 15, 2012

"Toronto presides over an exceptionally broad and diverse economy, providing stability to its budgetary performance. Its primary wealth generating sectors, namely the financial, professional, scientific and technical service sectors, outperformed their counterparts in most other cities through the global credit crisis, maintaining fairly steady employment from 2007-2011. We expect these, along with the city's institutional and retail sectors to support employment and personal income levels over the next two years…Debt and interest burdens are very low relative to those of Toronto's domestic and international peers in the 'AA' rating category…Toronto also maintains very positive liquidity, with free cash and liquid investments exceeding the next 12 months' debt service by more than 400%...The stable outlook reflects our base case scenario, under which Toronto's economy will continue to produce solid results and generate positive taxable assessment growth in the next two years."

Standard & Poor's, July 31, 2012

LONG TERM FINANCIAL PLAN UPDATE

The City of Toronto has a Long Term Financial Plan to ensure the City is in a sound financial condition and can finance services to the public and stakeholders on a sustainable basis. The City's vision for the Long Term Financial Plan is three-fold:

- Well managed — for service recipients
- Sustainable — for future generations, and
- Affordable — for current residents and businesses.

The Long Term Financial Plan was approved in 2005 and identified eight major financial issues relating to Expenditures, Revenues, and Assets & Liabilities, and contained 25 financial strategies, 17 fiscal principles and five financial policies. Since 2005, the City has made significant progress addressing the majority of those financial issues.

The following LTFP Scorecard summarizes the major financial issues identified in the 2005 Plan and the current status:

Scorecard (2005-2012)

Identified in the Long Term Fiscal Plan 2005	Current Status 2011	Score
Well Managed (Expenditures) • City has higher costs than surrounding municipalities • Demands for growth need to be adequately funded • Capacity to sustain services in an economic downturn	Costs reduced	✔
	Expenditures growth slowed but still growing	✔
	Social Services & Court Security upload Restoration of full 50% funding on Ontario Works administration costs	✔
Affordable (Revenues) • Business taxes need to be more competitive • Revenue growth needs to match responsibilities/growth • Province needs to properly fund income support programs and public transit	Improving business competitiveness	✔
	Revenues diversified - Provincial Upload on schedule; User Fees Enhanced	✔
	Secured permanent share of Fed/Prov. Gas Tax	✔
	Provincial 50% Transit Operating Funding	–
	Share of Harmonized Sales Tax	–
Sustainable (Assets & Liabilities) • Ageing infrastructure must be maintained • Employee benefits and other liabilities need to be adequately funded	10 year capital plan More than 60% to be spent on State of Good Repair	✔
	Debt increase mitigated	✔
	Sick Pay liability partially capped, but some liabilities still growing	✔

Legend ✔ Improving or compares favourably – Stabilizing or work in progress

Following the release of a new Strategic Plan for the period of 2013–2018, a full refresh of the Long Term Financial Plan is being planned for completion in 2014.

PERFORMANCE MEASUREMENT AND BENCHMARKING RESULTS

To provide context when examining Toronto's performance, it is important to consider that municipal property taxes represent only 8.9% of the total taxes, in all forms, paid annually by an average Ontario family to all orders of government. These various forms of taxes include income taxes, Employment Insurance and Canada Pension Plan premiums, consumption taxes such as the HST, and embedded taxes, which are included in the price of gasoline, liquor and tobacco.

Toronto's 2011 Performance Measurement and Benchmarking, released in March 2012 can be found at *www.toronto.ca/legdocs/mmis/2013/ex/bgrd/backgroundfile-57525.pdf*. The report focuses on how Toronto utilizes its 8.9% share of the total tax dollar and includes:

- Approximately 230 Service / activity level indicators and performance measurement results (efficiency, customer service and community impact) in 33 different service areas;
- Up to 11 years of Toronto's historical data to examine trends;
- A comparison of Toronto's 2011 results externally to 15 other municipalities through the Ontario Municipal CAOs' Benchmarking Initiative (OMBI), which now includes the Cities of Calgary and Winnipeg;
- Colour-coded summaries of results and supporting charts to describe those trends;
- A description of 2012 achievements and planned 2013 initiatives that will further improve Toronto's operations in the future; and
- Web links where similar neighbourhood-based data is available through Wellbeing Toronto (*map.toronto.ca/wellbeing/*) to complement the city-wide information.

SUMMARY OF TORONTO'S 2011 PERFORMANCE MEASUREMENT & BENCHMARKING RESULTS

Toronto is unique among Canadian municipalities because of its size and role as Ontario's and Canada's economic engine and centre of Ontario's business, culture, entertainment, sporting and provincial and international governance activities. The most accurate comparison for Toronto is to examine its own year-over-year performance and longer term historical trends.

By examining our own operations and by working with other municipalities through OMBI, these processes encourage Toronto's service areas to continuously look for opportunities to improve operations and performance. Many of these improvement efforts completed in 2011 or planned for 2012 are summarized in the report including:

- Initiatives to improve customer service
- Efficiency improvement initiatives
- Initiatives to improve effectiveness
- Initiatives to improve the quality of life for Torontonians

Notwithstanding Toronto's unique place in Ontario, there is also value in comparing Toronto's 2011 results to those of other municipalities for additional perspective.

SUMMARY OF TORONTO'S RESULTS

The 33 municipal services included in the report each have a colour coded summary of results at the front of their respective sections, and are supported with and referenced to charts and detailed narratives for approximately 230 indicators and measures.

Highlights of Toronto's overall results are described below.

Internal Comparison – Service/Activity levels indicators

Of the 46 service/activity level indicators included the report, levels in Toronto in 2011 increased or were maintained (stable) for 78% of the indicators in relation to 2010.

Examples of some of the areas in which Toronto's 2011 service levels or levels of activity increased were:

- Increased amount spent on or invested in childcare per child aged 12 and under
- Increase in the number of emergency shelter beds
- Increase in Library holdings by approximately 116,000 items
- 9.7% increase in the number of development applications received by City Planning.
- An additional 7.7 hectares of maintained parkland was provided with the expansion of some existing parks
- Off-street parking was expanded by 376 spaces

Internal Comparison – Performance Measures

Of the 180 performance measurement results of efficiency, customer service and community impact included in the report, 72% of the measures examined had 2011 results that were either improved or stable relative to 2010.

Examples of areas where Toronto's 2011 performance improved include:

Community Impact Measures:

- Decreased number of residential fires
- Increased percent of patients with a return of pulse (following medical cardiac arrest) when they arrive at the hospital
- Decreased rates of total crime, violent crime, property crime and youth crime
- Decreased rate of vehicle collisions
- Increased solid waste diversion rates (from landfill sites) for both houses and apartments
- Increased number of transit passenger trips per person
- Increased greening of the City's vehicle fleet and improved vehicle mileage
- Increased construction value of building permits issued for the institutional, commercial and industrial (ICI) sector
- Reduced residential water use per household
- Reduced the number of days when beaches are posted as unsafe to swim
- Attendance at city-funded cultural events increased to over 18 million
- Increased visits to the City's website

Customer Service and Quality Measures:

- Maintained a 96% rate in 2011 and 2012 for completing service requests from the public within the published service standard
- Reduced the time it takes to resolve/close a bylaw complaint
- Increased utilization rate of pre-authorized payment plans for property tax
- Reduced time to issue a purchase order
- Increased percentage of invoices paid within 30 days
- Increased average borrowing/circulation for each item in the Library's circulating collection
- Continuing high satisfaction levels of residents in long-term care homes
- The percentage of child care centres that met or exceeded Toronto's Operating Criteria for quality remained high at approximately 93%

Efficiency measures:

- Decreased operating costs to:
  - Process a development application
  - Enforce the Building Code per $1,000 of construction value
  - Process an accounts payable invoice
  - Process a payroll cheque or direct deposit decreased
  - Administer a social assistance case
  - Administer a social housing unit
  - Divert (recycle) a tonne of waste
  - Dispose of a tonne of waste
  - Provide a transit passenger trip
- Increased utilization (passenger trips per vehicle hour) of transit vehicles
- Improved collection of property tax arrears

EXTERNAL COMPARISON – SERVICE/ACTIVITY LEVEL INDICATORS

There are 54 service/activity level indicators included in the report for which Toronto's results can be compared and ranked with other municipalities. Toronto's service/activity levels are at or higher than the OMBI median for 59% of the indicators.

There were only small changes in Toronto's quartile rankings for each of the service/activity level indicators in relation to other municipalities between the 2010 and 2011 benchmarking reports. Any changes in Toronto's quartile ranking for individual indicators will likely only occur over much longer time periods.

Some of the key factors that influence Toronto's results for service/activity level indicators in relation to other municipalities include the following:

- Services where Toronto's size and high population density requires higher service levels, indicative of large densely populated cities, such as higher levels of police staff, more transit vehicle hours and a larger library collection
- Higher needs and demands in a large city like Toronto for social programs such as childcare, social assistance, social housing and emergency hostels/shelters
- Fewer facilities or less infrastructure can be required in densely populated municipalities like Toronto because of proximity and ease of access, while other less densely populated municipalities require proportionately more facilities or infrastructure to be within a reasonable travel distance of their residents. Examples include the number of recreation facilities, libraries and kilometres of roads
- Fewer emergency services vehicle-hours may be required in densely populated municipalities like Toronto because of the close proximity of vehicles and stations to residents, which allows for more timely emergency response. This proximity, however, can be partially offset by higher traffic congestion, which reduces the speed of responding vehicles. Those municipalities with lower population densities may require proportionately more vehicle hours in order to provide acceptable response times

EXTERNAL COMPARISON – PERFORMANCE MEASURES

There are 147 measures of efficiency, customer service and community impact in the report where Toronto's results can be compared and ranked with other municipalities.

Toronto's results are higher than the OMBI median for 50% of the measures. There was very little change in Toronto's quartile ranking for each of the performance measures in relation to other municipalities between the 2010 and 2011 benchmarking reports. Changes in Toronto's quartile ranking for individual measures are more likely to occur over a five year period or longer.

Areas where Toronto has the top/best result of the OMBI municipalities include:

- Highest proportion of patients with cardiac arrest that have their pulse return upon arrival at the hospital
- Lowest amount of reactive (unplanned) vehicle maintenance as a percentage of all vehicle maintenance
- Highest percentage of roads with a pavement rated of good to very good among single-tier municipalities
- Highest solid waste diversion rate for houses
- Highest number of conventional transit trips per person
- Highest percentage of maintained parkland in relation to geographic area
- Highest ratio of Industrial, Commercial and Institutional construction activity relative to residential construction

Other examples where Toronto's performance is better than the OMBI median include:

- Lower cost of governance and corporate management
- High levels of library use per capita
- Lower proportion of property tax arrears
- Lower total crime, and property crime rates and the third lowest youth crime rate
- Lower rates of fires as well as fire-related related injuries and fatalities, and a shorter/quicker response time
- EMS cost per patient transported is at the median
- The second best utilization rate of transit vehicles (trips per vehicle hour) and the third lowest operating cost to provide a passenger trip

OTHER METHODS OF ASSESSING TORONTO'S PROGRESS

Toronto's award winning initiatives

Throughout 2012, Toronto's initiatives received numerous awards from external organizations. Examples of these awards are noted below.

The Federation of Canadian Municipalities (FCM) Sustainable Communities Awards – The City of Toronto and the Toronto Transit Commission were recognized in the transportation category for Creating a Better Victoria Park Terminal.

The City's "Welcome to Toronto...We've Been Expecting You" hospitality excellence program won an Economic Developers Council of Ontario (EDCO) award in the Product Development - Workforce Development category. The EDCO awards are presented to Ontario organizations that have developed leading edge, innovative marketing programs or implemented new initiatives to foster economic growth.

Toronto Public Health was awarded the prestigious Baby-Friendly Initiative designation, which is a worldwide program of the World Health Organization and UNICEF. In Canada, the designation is awarded to hospitals and community health services that put policies in place to protect, promote and support breastfeeding. These practices strengthen mother-baby and family relationships for all babies, not only those who are breastfed.

The City of Toronto was also recognized as a world class innovator that is changing the face of public service in Canada through its Toronto Urban Fellows program. The City of Toronto was a finalist for the Institute of Public Administration of Canada's (IPAC) Award for Innovative Management (sponsored by IBM), which distinguishes government organizations that have shown exceptional innovations that address the wide variety of issues facing society.

The City Manager's Awards for Toronto Public Service Excellence

In addition to various external awards the City Manager's Office also recognizes divisional and cross-corporate initiatives. In 2012, the City Manager's Awards were presented to five initiatives, including:

- Driving Continuous Service Improvement, Toronto Employment and Social Service's customer service initiative
- Open Data submitted by the Information & Technology Division and City Clerk's Office
- Investing in Families, by Employment and Social Services in collaboration with Public Health and Parks, Forestry and Recreation, won in the Cross-Corporate category
- City Clerk's Office Election Accessibility Plan won in the Human Rights, Equity and Diversity category
- LBGT Diversity Initiative from Long-Term Care Homes & Services won in the Human Rights, Equity and Diversity category

Other indicator reports

This report focuses on performance measurement results in specific service areas. It is by no means the only type of reporting conducted by Toronto in this area. Links to other indicator reports issued by the City of Toronto or in association with the City, are noted below:

- Management Information Dashboard (Quarterly) *www.toronto.ca/progress/mgtdashboard.htm*
- Wellbeing Toronto (Neighbourhood Indicators) *map.toronto.ca/wellbeing/*
- Economic Indicators: *www.toronto.ca/business_publications/indicators.htm*
- Toronto Community Health Profiles: *www.torontohealthprofiles.ca/*
- Children's Report Card: *www.toronto.ca/reportcardonchildren*
- Federation of Canadian Municipalities: *www.fcm.ca/home/resources/reports.htm*
- Vital Signs (Toronto Community Foundation): *www.tcf.ca/torontos-vital-signs*

GLOBAL CITY INDICATORS

In November 2005, Toronto staff joined with World Bank officials in an initiative to develop an integrated approach for measuring and monitoring the performance of cities. The objective of this initiative was to develop a standardized set of city indicators that measure and monitor city performance and quality of life at a global level.

This initiative will benefit Toronto by expanding its current benchmarking work beyond Ontario and Canada to include other large international cities.

The indicators cover a total of 22 theme areas. Eight of the themes relate to quality of life indicators such as civic engagement, culture, economy and the environment. Fourteen of the theme areas relate to city services and are designed to capture the service levels or amount of resources each city devotes to delivery of the service and the outcomes or impacts of that service on the city. Examples of service areas included are fire services, recreation services, police services, social services, solid waste management services, water and wastewater services.

As of April 2013, there were 248 cities in 78 countries represented in the Global City Indicators Facility (GCIF), which included members from:

- Argentina - Buenos Aires
- Australia - Melbourne and Brisbane
- Brazil – Sao Paulo, Belo Horizonte and Porto Alegre
- Canada – Montreal, Edmonton, Toronto and Vancouver
- Chile – Santiago
- Columbia – Bogotá and Cali
- England – Birmingham
- Egypt – Cairo and Alexandria
- Finland – Helsinki
- France – Paris
- Indonesia – Jakarta
- India – Mumbai
- Italy – Milan
- Iran – Tehran
- Israel – Tel Aviv
- Jordan – Amman
- Netherlands – Rotterdam
- Peru – Lima
- Portugal – Lisbon
- Saudi Arabia – Mecca and Riyadh
- South Africa – Cape Town, Johannesburg and Durban
- Spain – Madrid and Barcelona
- United Arab Emirates – Dubai
- USA – King County (Regional Seattle), Portland and Dallas

Toronto is seen as a leader in this initiative, proactively providing measures and indicators to benchmark service delivery and quality of life. The ability to compare and benchmark internationally and to establish and share better practices through the available networks can be invaluable.

Toronto has provided a full data set, and in 2013 the GCIF will be encouraging its city members to agree to have their data publicly reportable, so that Toronto will be able to compare its results to these other international cities and include this information in future reports. This will provide a valuable additional source of information to assess how well Toronto is doing from both a service delivery and quality of life perspective.

For further information on Global Cities Indicators Facility, please visit *www.cityindicators.org/*.

CONCLUSION

The City continues to promote a continuous improvement culture in order to provide our citizens and businesses with services that are as efficient and effective as possible, looking for the optimal combination of efficiency, quality and beneficial impact on our communities.

For additional information on the City of Toronto's progress please visit our website *www.toronto.ca/progress*.

TREASURER'S REPORT

Giuliana Carbone
Treasurer

The Consolidated Financial Statements are intended to provide Council, the public, the City's debenture holders, and other stakeholders, an overview of the state of the City's finances at the end of the fiscal year and indicate revenues, expenses and funding for the year.

The preparation, content and accuracy of the Consolidated Financial Statements and all other information included in the financial report are the responsibility of management.

As required under Section 231 of the City of Toronto Act, the financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as set by the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Board (PSAB).

These Consolidated Financial Statements have been audited by Pricewaterhouse Coopers LLP whose role is to express an independent opinion on the fair presentation of the City's financial position and operating results and to confirm that the statements are free from material misstatement. The external auditor's opinion is to provide comfort to third parties that the financial statements can be relied upon.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements include the following individual statements:

Name	Purpose
Consolidated Statement of Financial Position	Summarizes the assets (financial and non-financial), liabilities, net debt, and accumulated surplus as at December 31st.
Consolidated Statement of Operations and Accumulated Surplus	Outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital, reserve and reserve funds for the City and its consolidated entities, and provides the calculation of the City's accumulated surplus at year end.
Consolidated Statement of Net Debt	Outlines the changes in net debt as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
Consolidated Statement of Cash Flows	Summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

The Consolidated Financial Statements combine the financial results of the City's divisions with the financial results of the agencies and corporations, and government business enterprises that the City effectively controls. There are 114 entities that are directly included in the financial statements and these are listed in Note 1 to the Consolidated Financial Statements. There are also a number of subsidiaries of agencies and corporations which are not included in the entity count above. The notes to the statements provide further detail about the City's financial results and are an integral part of the statements.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is the municipal equivalent of the private sector's balance sheet. This statement focuses on the City's assets (financial and non-financial) and liabilities. The difference between the liabilities and financial assets is the City's net debt, which represents the net amount that must be financed from future budgets.

The detailed breakdown of the accumulated surplus, including all of its components: amount invested in capital assets; operating fund, capital fund, reserve and reserve fund balances; and amounts to be recovered from future revenues, are reflected in Note 18 to the Consolidated Financial Statements.

The City has received funds for specific purposes under legislation, regulation or agreements. The recognition of these funds as revenues has been deferred until related expenses occur in the future. For example, development charges, parkland dedication fees and certain Federal and Provincial Government transfers received (such as public transit funding), are not recognized as revenues until such time as the projects are constructed. These restricted funds are included in liabilities as "Deferred Revenue" and not in the accumulated surplus. A breakdown of the City's deferred revenue obligatory reserve funds can be found in Note 9 (a) to the Consolidated Financial Statements.

As a result of the significant investment in tangible capital assets, there is a large accumulated surplus, which occurs at the same time that the City has a significant net debt, which must be financed through future revenues. Although tangible capital asset balances are considerable for municipalities – much larger on a percentage basis than any other level of government – they do not provide liquidity, and are not typically available for sale, the proceeds of which could be used for other purposes. It is for this purpose that tangible capital assets are not included in the calculation of net debt, arguably the most important financial statistic for governments.

Consolidated Statement of Operations and Accumulated Surplus

The Consolidated Statement of Operations and Accumulated Surplus is considered to be the municipal equivalent to the private sector's Statement of Income and Retained Earnings.

The Consolidated Statement of Operations and Accumulated Surplus provides a summary of the revenues, expenses, and surplus throughout the reporting period and outlines the change in accumulated surplus.

The 2012 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash requirements" basis and amounts recorded in these financial statements on a "full accrual" basis. Note 19 outlines the adjustments to the approved budget, particularly exclusion of debt proceeds, principal payments, and tangible capital asset purchases, and inclusion of estimated amortization expense. These adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The accrual based budget typically results in a surplus, as the City must fund reinvestment in assets at amounts greater than their historical cost.

Consolidated Statement of Net Debt

The Consolidated Statement of Net Debt is unique to governments. This statement focuses on the debt of the City, adjusting the annual surplus for the impact of tangible capital assets: mainly deducting the costs to acquire assets, and adding back amortization charged during the year.

New in 2012

Sale of Enwave Energy Corporation
On October 31, 2012 the City sold its shares in Enwave for a total consideration of $167.4M resulting in a gain on sale of $96.6M (proceeds net of legal fees of $167.4M less adjusted cost of investment of $70.8M).

International Financial Reporting Standards (IFRS) adjustment for Toronto Hydro Corporation (Toronto Hydro)
In 2011 the Public Sector Accounting Board (PSAB) required that the GBEs report their financial results under IFRS. Due to the continued uncertainty around the timing, scope and eventual adoption of a rate-regulated accounting standard under IFRS, Toronto Hydro elected to report its financial results under United States Generally Accepted Accounting Principles (GAAP) in 2012, which provides for financial results that are more predictable and comparable to their previous Canadian GAAP results. Toronto Hydro has provided the City with a reconciliation between US GAAP and IFRS for the City's financial reporting purposes only. This adjustment to IFRS for the City's reporting has resulted in a change to retained earnings for Toronto Hydro of $97M, primarily due to differences in accounting treatment related to regulatory assets and liabilities, and property, plant and equipment.

Details for both items are provided in Note 6 of the consolidated financial statements.

FINANCIAL CONDITION

An important measure of any government's financial condition is its Net Debt: calculated as liabilities (e.g. trade and employment payables, mortgages and debentures) less financial assets (e.g. cash, receivables, and investments). The City's Net Debt as at December 31, 2012 decreased by $144M to $4.25B (2011 - $4.39B). This decrease is due primarily to the City's considerable accounting surplus during 2012, offset by its investments in tangible capital assets. For more information on the change in Net Debt, please refer to the Consolidated Statement of Change in Net Debt.

The City's net long-term debt (Note 13) increased by $435M (2011: $374M) primarily due to new net long term debt issuances of $802M (2011: $736M) offset by net long-term debt repayments of $295M (2011: $295M) and interest earned on sinking funds of $71M (2011: $67M). There was an increase in debt issuance for the City and TCHC and no debt issuance for the City's agencies and corporations as compared to 2011.

The following table lists all consolidated debt issued in 2012.

Table 1

Debt Issued in 2012

$ 000s	Total	Debentures 10 Year	Infrastructure Ontario 20 Year	TCHC 25 Years	Debentures 30 Year
Summary by Service					
General Government	38,290	38,290	–	–	–
Protection	27,377	8,877	–	–	18,500
Transportation	62,649	22,649	–	–	40,000
TTC	376,503	158,367	–	–	218,136
Environmental	168,680	1,646	143,670	–	23,364
Social and Family	13,499	13,499	–	–	–
Social Housing	60,839	2,800	–	58,039	–
Recreation & Culture	45,974	45,974	–	–	–
Planning & Development	7,898	7,898	–	–	–
	801,709	**300,000**	**143,670**	**58,039**	**300,000**

In order to improve the City's financial position, the City continues to implement its Long Term Fiscal Plan. Some key measures included in the plan are: tax policies which enhance economic competitiveness and improve Toronto's business climate, utilization of user rate adjustments for environmental and cost control purposes, working with the Province to continue the upload of social service program costs, and working with other levels of government to obtain permanent, sustainable funding for transit and social housing.

The City's updated Capital Plan, which includes a non-debt financing strategy to fund additional capital needs, ensures a solid financing plan is in place for the next five years. Debt financing has grown and will continue to grow due to state of good repair funding requirements and increased focus on expanding public transit infrastructure to meet the demands of a growing population.

The positive effects of implementing these financial plans are reflected in the City's AA and Aa1 (Moody's) independent credit ratings.

Another key indicator of a government's financial condition is the amount that must be recovered from future revenues as included in Note 18 of the Consolidated Financial Statements. These liabilities include TCHC mortgages, debentures, employee benefit liabilities, property and liability claim provisions, landfill liabilities and environmental liabilities. In 2012, the total amount that must be recovered from future property taxes and other revenues grew by $692M to $7.91B. This increase mainly consists of:

- a net increase of $394M in mortgages and long term debt;
- an increase of $260M in the net employee benefits liabilities; and,
- an increase of $35M in other liabilities, mainly property and liability claims provision, as a result of the discount rate decrease for these liabilities.

Table 2 outlines the trend in financial asset and liability growth over the last five (5) years.

Table 2

Net Debt – 5 Year Summary

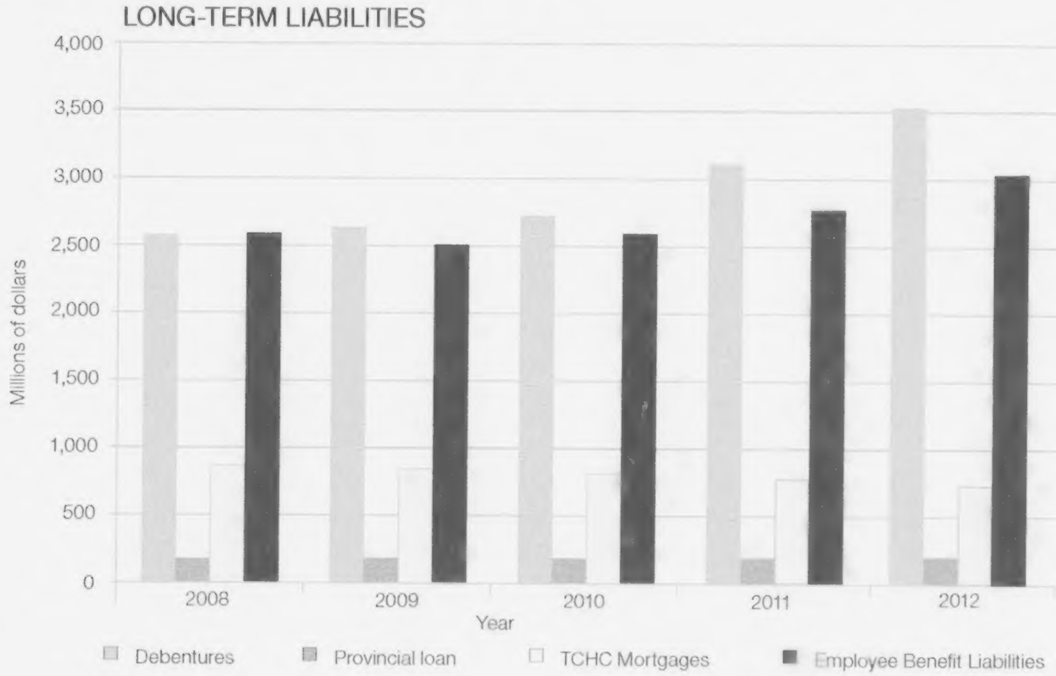
Net Debt ($000s)	4 Year Average Annual Increase	2012	2011	2010	2009	2008
Liabilities	4.07%	12,490,490	11,672,374	10,899,622	10,392,487	10,647,259
Financial assets	3.78%	8,245,455	7,283,091	6,513,984	6,728,291	7,109,217
Net Debt	**4.66%**	**4,245,035**	**4,389,283**	**4,385,638**	**3,664,196**	**3,538,042**
Percentage Increase		**(3.29%)**	**0.08%**	**19.69%**	**3.57%**	

The City's Net Debt has increased by a compound annual rate of 4.66% over the last four years, attributable to increases in long-term debt to third parties and in long-term employee benefit liabilities. Net debt however, barely changed in 2011 and decreased in 2012.

The significant growth in long-term debt has been driven mainly by the need to finance transit capital expenditures. The growth of employee benefit liabilities has been driven significantly by declines in the discount rate, an aging demographic (employees and retirees), increased utilization of the plan, increased cost of drugs and services and de-regulation of government sponsored benefits which are transferred to private benefit plans. Council has contained some of the growth of this liability through collective bargaining, including eliminating the vested sick leave plan for new employees for CUPE Locals 79 and 416 hired after July 31, 2009, cost of living increases which are below inflation for the first two years of the existing four year collective agreements (2012 and 2013), and changes in benefits.

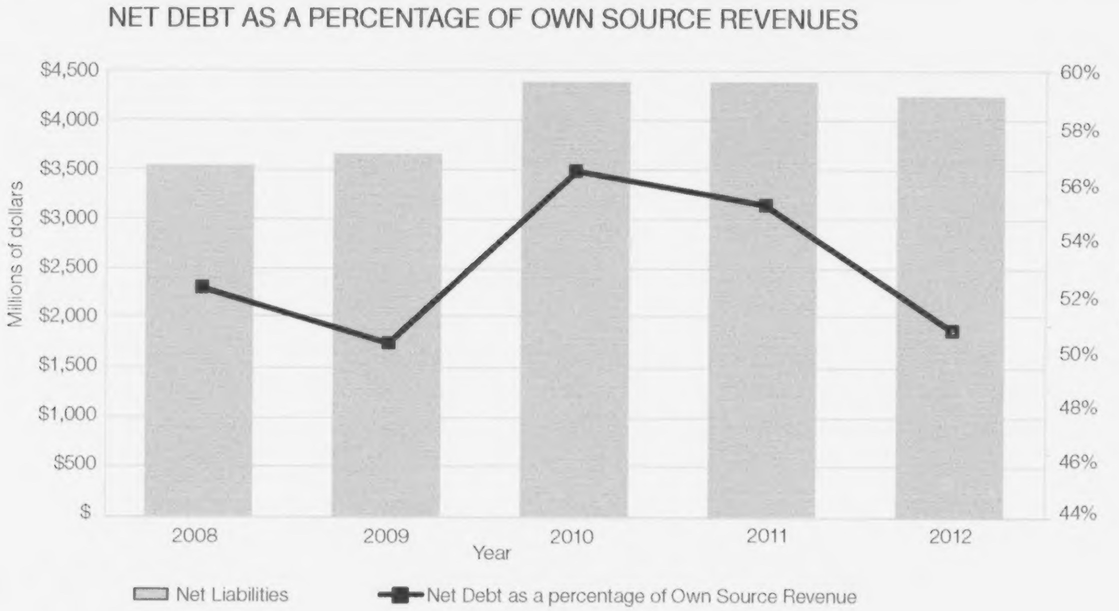
Chart A provides the breakdown of long-term liability growth by debt type.

Chart A



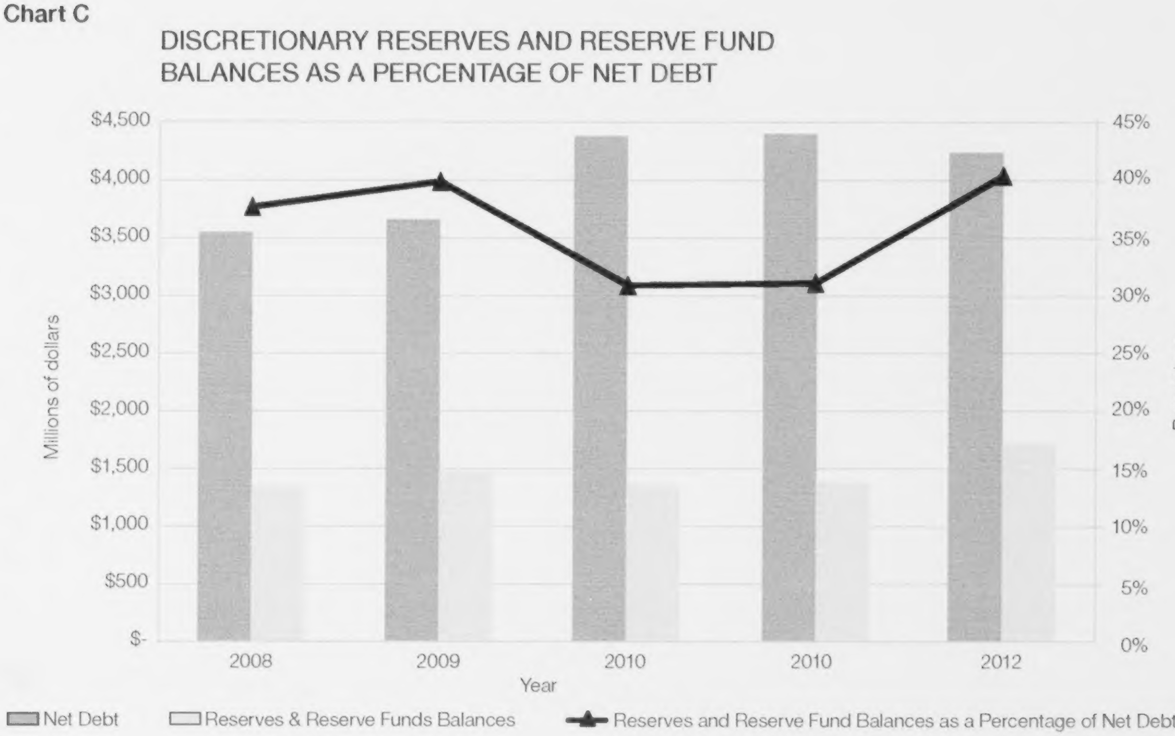
Information on the mortgage liabilities of TCHC is provided in Note 12, the provincial loan and the City's debenture debt is outlined in Note 13, while further detail about the City's employee benefit liabilities is provided in Note 14 of the Consolidated Financial Statements.

Chart B



To put the City's net liability (i.e. Net Debt) into a different context, Chart B expresses the Net Debt as a percentage of the City's own source revenues (excluding government transfers and earnings from government business enterprises). The net liability as a percentage of own source revenues has gone from 52.2% to 50.7% over the last five years which is a marked improvement.

Chart C



The City's Net Debt substantially exceeds the City's reserve and reserve fund balances as shown in Chart C. The vast majority of the reserve and reserve funds are committed to fund capital projects identified in the ten year capital plan, and future known liabilities, leaving only a small portion available for discretionary spending. Also, the current balances of some reserve funds (e.g. Employee Benefits) provide only a small portion of the funding to cover the future obligations for which they have been set aside.

The balances of all the Obligatory Reserve Funds are restricted for specific purposes as designated by legislation or contractual agreements and all capital reserves/reserve funds are required to replace and maintain capital assets.

If the Obligatory Reserve Funds were included in Chart C, then the Reserve and Reserve Fund Balances would be 69.4% of Net Debt (2011: 56.2%).

For financial statement purposes, PSAB requires that Obligatory Reserve Fund balances (such as development charges and unspent provincial public transit funding) be classified as deferred revenue (Note 9 (a) of the Consolidated Financial Statements). As a result, the reserve and reserve fund balances in the financial statements (Note 18), are lower than those included in staff reports to the Budget Committee.

ANALYSIS OF KEY ASSET AND LIABILITY ACCOUNTS

Accounts Receivable

The breakdown of accounts receivable at December 31, 2012 with 2011 comparatives is as follows:

	(in thousands of dollars)	
Accounts Receivable	**2012**	**2011**
Government of Canada	326,193	316,131
Government of Ontario	297,752	228,338
Other municipal governments	44,971	26,346
School board	9,608	9,382
Utility fees	144,468	133,565
Other fees and charges	367,890	455,442
Total	**1,190,882**	**1,169,204**

Accounts receivable balances increased $21.7M in 2012. The increase consists primarily of the following:

- Higher receivable from Government of Canada ($10.1M) due to the following:

	($ millions)
	Increase (Decrease)
Receipt of Infrastructure Stimulus Funds in 2012	(24.5)
Canada Strategic Infrastructure Fund (CSIF)-claims submitted not yet paid	9.0
Harmonized Sales Tax (HST) Rebates re: City and TTC	22.0
Other increases and decreases	3.6
Total	**10.1**

- Higher receivable from Government of Ontario ($69.4M) due primarily to the following:

	($ millions)
	Increase
Light Rail Vehicle (LRV) Funding	36.7
Ministry of Transportation – Move Ontario (York Spadina Extension)	26.2
Other increases and decreases	6.5
Total	**69.4**

- Increase in receivable from York Region ($18.6M), due primarily to higher receivable from York Region for their subway contribution ($15.9M) and increase in Capital cost sharing ($2.9M) for water infrastructure.

- Increase in Utility fees receivable ($10.9M) is primarily attributable to average increase in water rates of 9% which resulted in higher receivable and higher accrual amount at year end due to more accrual days as a result of timing of billing cut off date. Offset by,

- Decrease in other fees and charges ($87.6M) due primarily to the repayment of the Corus loan ($128.5M).

Taxes Receivable

Taxes receivable consists of all outstanding taxes, items that have been added to the tax roll (such as utilities arrears, drainage charges, and local improvement charges), accumulated penalties and interest charges, net of an allowance for uncollectible taxes. A breakdown of this receivable is noted below:

	(in thousands of dollars)	
Taxes Receivable	**2012**	**2011**
Current year	157,045	171,704
Prior year	27,891	29,981
Previous years	32,271	32,559
Interest/penalty	39,537	38,317
Less: allowance for doubtful accounts	(31,866)	(28,352)
Net receivables	**224,878**	**244,209**

Other Assets (Note 4)

Other assets are mainly loans receivable from various organizations and TCHC's equity in joint ventures. Other Assets increased by $10M to $162M (2011: $152M) due primarily to:

- Build Toronto issuing Vendor-take-back-mortgages in connection with land sale transactions in 2012 for $34.7M primarily regarding Cordova ($12.2M), 10 York Street ($14M), and 4620 Finch Avenue ($8.7M);
- Increase in TCHC's wholly owned subsidiary Regent Park Development Corporation's ("RPDC") equity interest in joint venture of a co-tenancy agreement with the developer Parliament and Gerrard Development Corporation ("PGDC") for the construction of certain properties in Regent Park for $8.2M; partially offset by,
- Decrease in TCHC loans recoverable from PGDC for $31.2M due to loan substantially repaid by the co-tenancy PGDC upon completion and sale of Paint Box condominiums in Regent Park in October 2012.

Investments (Note 5)

Investments increased by $926M to $4.4B (2011: $3.5B) due primarily to the proceeds on sale of Enwave, dividends received from Build Toronto and TPLC, and increases in reserves and reserve funds.

Investment in government business enterprises (GBEs) (Note 6)

Investment in government business enterprises increased by $59M to $1.78B (2011 - $1.72B). Although the sale of Enwave resulted in a $68M reduction in the City's investment in GBEs, this was more than offset by a $128M increase in the value of Toronto Hydro, which included an IFRS adjustment of $97M.

Additional information regarding the City's GBEs as at December 31, 2012, including 2012 transactions for all GBEs with the City and condensed financial results, are provided in Note 6 and Appendix 1 to the Consolidated Financial Statements.

Accounts Payable (Note 8)

The breakdown of accounts payable and accrued liabilities at December 31, 2012 with 2011 comparatives is as follows:

	(in thousands of dollars)	
Accounts Payable	**2012**	**2011**
Local Board trade payables	725,041	670,123
City trade payables and accruals	942,575	952,771
Payable to school boards	330,762	260,470
Provision for tax appeals & rebates	389,639	487,309
Credit balances on property tax accounts	66,885	41,657
Wages accruals	221,169	203,992
Total	**2,676,071**	**2,616,322**

- Local board trade payables were higher ($54.9M) in 2012 primarily due to increases in Toronto Transit Commission (TTC) trade payables for $41.2M.
- Payable to school boards was higher ($70.3M) in 2012 primarily due to higher net tax levy for Toronto District School Board of $68.2M and outstanding payable of Education Development Charges to school boards in 2012 of $2.2M.
- The provision for tax assessment appeals decreased by approximately $97.7M primarily as a result of a settlement of property assessment appeals for six large bank tower properties in the City, which resulted in smaller than anticipated property tax reductions for these properties and a related reduction in the provision for other business properties under appeal.
- Credit balances on property tax accounts was higher ($25.2M) due primarily to the increase in taxes paid under appeal ($87.5M), offset by credits to TCHC properties resulting from conversion from taxable/Payments-in-lieu-of-taxes to exempt ($62.7M).
- Wage accruals were higher by $17.2M primarily due to accruals for outstanding union settlements offset by lower payroll accruals in 2012.

Deferred Revenue (Note 9)

Deferred Revenue increased by $154M to $1.57B (2011: $1.42B) primarily as a result of:

- increase in funds received for Development Charges, Building Code and Planning Act of $141.2M;
- increase in Obligatory Reserve Funds of $125.1M for Water and Wastewater due to higher contributions as compared to withdrawals for capital purchases; offset by,
- decrease in Obligatory Reserve Funds of $111.3M for Public Transit due to withdrawals for transit capital purchases.

Other Liabilities (Note 10)

Other Liabilities increased by $43M to $599M (2011: $556M), mainly as a result of:

- an increase in the property and liability claims provision ($30.1M);
- increases in Toronto Transit Commission (TTC) unsettled accident claims ($12M);
- increase in Build Toronto environmental liabilities ($6.8M); offset by,
- decrease in funds held in deposit for Exhibition Place and National Trade Centre of $6.3M.

Net Long-Term Debt, excluding TCHC Mortgages (Note 13)

Net long-term debt increased by $435.1M to $3.70B (2011: $3.26B) as follows:

	(in millions of dollars) Increase (Decrease)
Issuance of Debt – City	743.7
– TCHC	58.0
Debt Repayment – City	(231.6)
– TCHC	(63.7)
Interest earned on sinking funds	(71.3)
Total	**435.1**

Employee Benefit Liabilities (Note 13)

Employee benefits liabilities represent the amount payable to employees or third parties in future years for services that were rendered by the employees in the current or past years. These amounts represent amounts payable for items such as workers compensation, health care benefits for early retirees, and pensions for those retirees covered by the City's legacy pension plans. Actuarial valuations are undertaken every three years to calculate the liabilities, estimating expected future costs and then calculating the present value based on the applicable municipal bond rate (the discount rate) as at December 31, in accordance with PSAB standards.

The gross employee benefits liability (identified as "Total employee accrued benefit obligation" in Note 14 of the Consolidated Financial Statements) decreased by $175M to $3B (2011: $3.18B), primarily due to the following:

- decrease in the non-OMERS pension plan liabilities ($97M) as the financial situation of each of the five pension plans improved in 2012;
- decrease in sick leave benefits ($8M);
- decrease in workers' compensation benefits ($31M) as a result of better than anticipated experience; and
- decrease in post-employment benefits ($39M) as a result of better than anticipated experience.

Although the gross employee benefit liability decreased by $175M, the unamortized actuarial loss of $403M in 2011 decreased by $435M resulting in a small unamortized gain of $32M in 2012. As a result, net employee benefit liabilities increased by $260M to $3.0B (2011 - $2.8B). The change in unamortized losses and gains of $435M is due to:

a) A full valuation of City and Police non-pension employee benefit liabilities undertaken as at December 31, 2012. Due to various cost savings initiatives undertaken, as well as favourable experience compared to expected experience for both benefit costs and salaries, there was a sizeable actuarial gain since the last valuation. This has resulted in a lower value for each of the elements of the liability, as shown in the prior paragraph, and has resulted in the unusual circumstance of a net actuarial gain, which provides for a net liability that exceeds the gross liability. As actuarial gains and losses are amortized over the estimated average remaining service life of the employee group, these actuarial gains and losses will be recognized over the next 13.2 to 15.1 years.

b) In addition to the valuation of non-pension liabilities, the TTC pension plan experienced a large surplus in 2012, which has resulted in a change in the valuation allowance for the plan of approximately $192M.

Tangible Capital Assets (Note 15)

Note 1 to the consolidated financial statements outlines the significant accounting policies including an overview of the policy for recording tangible capital assets. In short, tangible capital assets are recorded at cost and amortized over their useful lives.

The breakdown of tangible capital assets, as well as accumulated amortization, as at December 31, 2012 with 2011 comparatives, is presented in Note 15 and Schedule 1. Tangible capital assets by entity are presented in Appendix 4.

During the year, consolidated asset additions totalled $2.3B, with the most significant portion being:

- Building and Building Improvements of $345M (consisting of $180M at the TCHC, $33M at the TTC, $7M at the Toronto Public Library and $125M at the City);
- Transit Infrastructure of $319M; and,
- Machinery and Equipment purchases of $315M consisting of:
  - Infrastructure equipment ($164M) mainly related to Water and Wastewater treatment plant equipment and Road Traffic Signals;
  - General equipment ($151M) such as Green Lane Landfill gas and leachate collection systems, computer hardware, water meters, security systems, police and transit equipment.

During the year, amortization of tangible capital assets decreased by $12.7M to $801.8M (2011: $814.5M), mainly as a result of a decrease in TTC amortization of $23M and increase in City amortization of $10.3M.

Consolidated Expenses

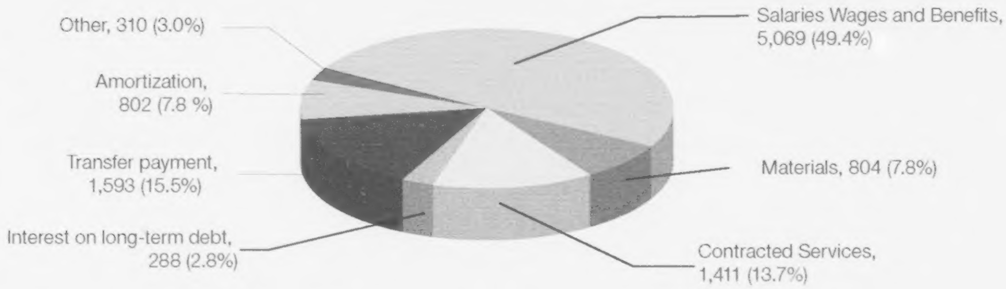
Gross consolidated expenses for 2012 totalled $10.28B (2011: $10.56B). The decrease in expenses of $0.3B was generated primarily by service efficiencies and base budget reductions by both the City programs and agencies.

Chart D breaks down the gross expenses by cost object. Salaries, wages and benefits accounted for the largest portion at 49.4% of the total amount. It should be noted that principal re-payments on debt are not included as they are considered financing transactions for accounting purposes and are not considered expenses.

Chart D

EXPENDITURES BY OBJECT – CURRENT OPERATIONS

(in millions of dollars)



Note 21 to the Consolidated Financial Statements provides a consolidated (operating and capital) summary of expenses by object.

Table 3 provides a comparison of 2012 Consolidated Net Revenue by program versus budget, and also shows 2011 actuals. The table also provides a comparison of expense by type or category of service.

Table 3

Consolidated Net Revenue by Program

(in thousands of dollars)

	2012 Budget	2012 Actual	Difference Positive (Negative Variance)	Change	2011 Actual
Revenues					
Property Taxation	3,737,936	3,750,325	12,389	0.3%	3,583,368
Municipal Land Transfer Tax	294,224	349,798	55,574	18.9%	324,065
Taxation from other governments	92,200	106,600	14,400	15.6%	98,596
User Charges	2,809,407	2,797,655	(11,752)	(0.4%)	2,615,642
Funding transfers from other governments	3,342,820	3,054,218	(288,602)	(8.6%)	3,148,351
Gain on Sale of Enwave	–	96,611	96,611	–	–
Government Business Enterprise Earnings	–	180,097	180,097	–	188,041
Investment Income	170,732	246,760	76,028	44.5%	248,397
Development Charges	203,430	141,133	(62,297)	(30.6%)	94,952
Rent and Concessions	324,537	395,470	70,933	21.9%	386,073
Other	647,899	584,536	(63,363)	(9.8%)	604,560
Total	**11,623,185**	**11,703,203**	**80,018**	**0.7%**	**11,292,045**
Expenses					
General Government	1,045,230	873,889	171,341	16.4%	1,193,486
Protection to persons and property	1,620,477	1,558,447	62,030	3.8%	1,667,615
Transportation	3,048,849	2,828,174	220,675	7.2%	2,642,260
Environmental services	1,059,491	810,859	248,632	23.5%	834,088
Health services	407,442	397,210	10,232	2.5%	399,207
Social and family services	2,136,223	1,999,896	136,327	6.4%	2,032,670
Social housing	899,167	850,026	49,141	5.5%	804,577
Recreational and cultural services	922,692	861,716	60,976	6.6%	847,271
Planning and development	122,425	96,533	25,892	21.1%	143,636
Total	**11,261,996**	**10,276,750**	**985,246**	**8.7%**	**10,564,810**
ANNUAL SURPLUS	**361,189**	**1,426,453**	**1,065,264**	**294.9%**	**727,235**

Table 3 reflects the combined operations of the operating, capital, reserve and reserve funds for the City and its consolidated entities.

REVENUES

While the annual budget process focuses primarily on property tax increases, it must be emphasized that property taxes are only one of the City's many revenue sources. In 2012, property taxes made up 39.7% (2011 – 39.8%) of the City's operating revenue.

Municipal Land Transfer Tax (MLTT) exceeded budget by $56M primarily due to higher than anticipated home sales and average home prices.

Taxation from other governments (Payment in Lieu (PIL) of Taxes) revenue exceeded budget by $14M due to lower than expected appeals and other billing adjustments along with an increase in overall levies issued in 2012.

Funding Transfers from other governments were under budget by $288M primarily due to:

- Under-spending in TTC projects for the Toronto-York Spadina Subway Extension by $208.6M; and
- Ontario Works operating subsidies were lower by $59.7M, due mainly to lower subsidies than budget for Ontario Works Financial Assistance Program.

Gain on Sale of Enwave of $96.6M (proceeds net of legal fees of $167.4M less the adjusted cost of investment of $70.8M) resulting from the City selling its shares in Enwave on October 31, 2012 which was not budgeted for.

Government Business Enterprise Earnings ($180M) represent the earnings from Toronto Hydro Corporation, Toronto Parking Authority, Toronto Port Lands Company (reclassified as a GBE effective January 1, 2011) and Enwave. Details are available in Note 6 and Appendix 1 of the Consolidated Financial Statements.

Investment earnings were higher than budget by $76M due to more robust cash flow in 2012 related to the sale of Enwave, dividends received from Build Toronto and TPLC, increases in reserves and reserve funds, and the overall annual surplus achieved in 2012. This resulted in increased investment balances and additional income.

Development Charges applied to capital spending were under budget by $62.3M, due to under-spending on capital projects. As an obligatory reserve, development charge revenues are recognized as the funds are spent for the intended purposes.

Rent and Concessions were higher than budget by $71M due primarily to higher rental and concession revenues at TCHC, TTC and Board of Governors of Exhibition Place.

Other Revenues were lower than budget by $64M primarily due to:

- Lower than budgeted spending on Capital funded from obligatory reserve funds for Water/Wastewater, resulting in lower revenue than budgeted ($206M); offset by
- Third Party Sign Tax revenues higher than budget by $22M as the Supreme Court of Canada decision allowed for taxes to be applied to all signs regardless of the date that they were installed. As the collection of these revenues was in doubt in prior years, this represented recognition of revenues from 2010 to 2012;
- Gain ($34.6M) on Land exchange transactions for 25 Berkeley Street and 271 Front Street East;
- Gain ($33.9M) on Sherbourne Common Park property transferred to the City from TWRC at nominal value; and
- Proceeds ($41.2M) from the sale of the Union Station West Wing.

EXPENSES

Gross consolidated expenses for 2012 totalled \$10.3B (2011: \$10.6B). The decrease was generated by a large majority of City programs and agencies reporting favourable variances. A breakdown of other contributing factors by function is as follows:

- Costs for General Government was lower than budget by \$171M, primarily due to :
  - The provision for tax assessment appeals decreased by approximately \$97.7M primarily as a result of the settlement for property assessment appeals related to six large bank tower properties for taxation years 2001 to 2012 inclusive, which resulted in smaller than anticipated property tax reductions for these properties and a related reduction in the provision for other business properties under appeal;
  - Lower expenditure of \$26.5M from the negotiated wage savings for CUPE Locals 416 and 79;
  - Lower than planned vacancy rebates resulting in savings of \$5.5M and lower than planned number of households and multi-residential units receiving a solid waste management rebate resulting in savings of \$3.9M; and
  - Lower spending of \$20M on various State of Good Repairs projects related to major maintenance work at City facilities due to re-coordinating construction activities, re-tendering and change in future plans and other unforeseen conditions.

- Costs for protection to persons and property (Police, Fire, Building Services and Conservation Authority levies and the Provincial Offences Act Courts) was \$62M lower than budget, primarily due to:
  - Reduction in expenses of \$64M representing the reduction in the deficits in the City's Police and Firefighters Pre-OMERS Pension Plans;
  - Lower spending as charges to non-program for pension deficit funding were \$26M less than budget;
  - Lower spending of \$8.7M in Municipal Licensing and Standards (MLS) and Building Inspection due primarily to salary and benefit savings arising from staff turnover and resulting vacancies; and
  - Various projects in Fire Services under spent by \$9M due to delays in acquisition of suitable sites and further delays due to removal of additional contaminated soil and oil tanks (Midland and Eglinton) and delay due to change in station design (Chaplin Crescent Fire Station); partially offset by
  - PSAB adjustments for increased employee benefits (\$46.5M) for Fire and Police Services.

- Costs for Transportation (including Roads/Traffic signals maintenance and Transit) was \$221M lower than budget primarily due to:
  - Lower spending in Transportation of \$33.6M due to savings in salaries and benefits arising from vacancies (\$5.4M), winter maintenance contract costs that were lower (\$11.8M) as a result of mild winter weather in 2012, lower salt usage (\$2.9M), lower than expected road and bridge maintenance work (\$7.4M) and lower expenditures for utility cut repair contracts (\$2.3M);
  - Lower spending at TTC of \$25.6M due to lower market prices of diesel fuel, electricity and natural gas as well as lower consumption of energy and natural gas due to the milder weather earlier in 2012. In addition, expenses were lower as a result of reduced utilization of certain healthcare benefits and reduced accident claim settlement costs;
  - Lower spending at TTC of \$53M on various repair and maintenance projects; and
  - Lower spending of \$73.8M on various transportation projects related to roads, City Bridge rehab projects, Traffic Control projects and other infrastructure enhancements projects.

- Environmental services spending was lower than budget by $248M due primarily to:
  - o Lower spending at Toronto Water of $129M related to various State of Good Repair maintenance projects for Water Services Repairs, Water Main and Sewer Rehabilitation and Replacements, Highland Creek and Ashbridges Wastewater Treatment Plant Upgrades. These projects were delayed due to complexity of engineering and designing of linear infrastructure, delayed tendering and prevailing ground/site conditions;
  - o Lower spending of $33.9M at Toronto Water due to savings in salaries and benefits arising from unfilled vacancies ($20.8M); energy and utility efficiencies relating to lower electricity and natural gas prices, lower natural gas usage at Ashbridges Bay Wastewater Plant;
  - o Lower spending at Solid Waste of $22.4M mainly attributable to various maintenance projects due to designing, planning and tendering delays, as well as projects being postponed pending provincial government decisions;
  - o Savings of $12.4M at Solid Waste due to ongoing vacancies in collection and transfer services as well as lower collected tonnes of waste driven by recycling compliance and slow general economic recovery resulting in lower than budgeted expenditures for contracted collection and lower tonnage of waste being transferred, hauled and disposed at Green Lane landfill.

- Social and Family Services spending was lower than budget by $136M, due to the following:
  - o Ontario Works (OW) financial benefits were under spent by $89.2M due to a lower than budgeted OW caseload (104,069 actual vs. 108,500 budgeted), caseload mix (higher proportion of singles as compared to families) and lower special diet expenditures;
  - o Long-Term Care Homes and Services (LTCHS) were under spent by $11.1M due mainly to one-time savings of $9.2M related to Provincial funding delays which resulted in a reduction in claims for certain services required by individual residents and clients that are 100 percent subsidized; and
  - o Children's Services were under spent by $13.8M due primarily to delayed capital spending related to minor construction projects, non-receipt of provincial funding, staff turnover.

- Social Housing spending was lower than budget by $49M, due primarily to Social Housing Administration gross savings of $44.1M related to:
  - o Lower spending in Social Housing of $16.9M due mainly to reduction in property tax subsidy, garbage levy, and rent subsidies to social housing providers;
  - o Lower spending in Affordable Housing projects of $16.2M and Housing and Homelessness Supports of $9.1M due to delays in funding; and
  - o Operational savings of $1.9M in Hostel Services and other programs, primarily due to savings in purchased service shelters (motel rentals), and delay in hiring qualified staff.

- Recreational and cultural services was lower than budget by $61M due primarily to:
  - o Lower spending of $14.1M attributed to salaries and benefit savings from unfilled seasonal and permanent positions, implemented efficiencies in various programs such as summer camps and recreation support functions, as well as under-spending in materials and supplies;
  - o Lower spending of $32M on repairs and maintenance for Recreation projects and Park related IT projects; and
  - o Lower spending of $11.2M on various repairs and maintenance work for buildings and streetscape improvements under Economic Development and Culture.

- Planning and development was lower than budget by $26M due primarily to:
  - o Lower spending by $4M in City Planning due to savings in salaries and benefits resulting from higher than expected staff turnover; and
  - o Lower capital spending for various Toronto Waterfront projects by $23.5M due to delay in the execution of the funding agreements.

FIVE YEAR SUMMARY OF REVENUES

The five year summary of revenues outlined in Table 4, below, demonstrates that property taxes continue to be one the slowest growing revenue sources for the City. The City is limited by provincial legislation and Council policy from extending tax rate increases on the commercial, industrial and multi-residential assessment base (which is 54.5% of the City's tax revenue base) on the same basis as the residential base.

As a result of the slow growth of property tax revenue, more reliance has been placed on user fees, the Municipal Land Transfer Tax, senior government transfers and other sources of revenue to meet expenses and minimize property tax rate increases. The City undertook a User Fee Review in 2011 which allows the City to set user fee prices with the objective of full cost recovery, where appropriate.

Five Year Summary of Revenues

Table 4

Consolidated Revenues – 5 year Summary

(in thousands of dollars)

Revenues	Avg. Annual Increase	2012	2011	2010	2009	2008
Property taxes	3.43%	3,856,925	3,681,241	3,646,675	3,520,450	3,369,949
Municipal land transfer tax (MLTT)	20.53%	349,798	324,065	278,980	183,892	165,743
Personal vehicle Tax (PVT)	N/A	–	723	42,766	51,717	14,992
User charges	7.33%	2,797,655	2,615,642	2,529,093	2,309,164	2,108,423
Government transfers	2.84%	3,054,218	3,148,351	3,173,242	2,993,468	2,731,174
GBE Earnings	(6.29%)	180,097	188,041	153,294	115,012	233,926
Investment Income	0.61%	246,760	248,397	265,990	282,217	240,738
Development Charges	25.84%	141,133	94,952	92,162	83,144	56,234
Rent and Concessions	2.69%	395,470	386,073	372,959	355,005	355,591
Other	10.25%	681,147	604,560	540,861	520,422	461,070
Total	**4.70%**	**11,703,203**	**11,292,045**	**11,096,022**	**10,414,491**	**9,737,840**
Percentage Increase		3.64%	1.77%	6.54%	6.95%	

RISKS AND MITIGATES

The City continues to face a number of risks that could have a negative impact on the City's financial future. These risks include: lack of long-term dedicated funding to assist the City in addressing its infrastructure deficit, including building and expanding the transit system to meet the City's strategic goals, and accessing non-property tax revenue sources that grow with the economy to ensure long term sustainable funding.

In 2012, the City continued to make progress to address these risks by continuing to implement its Long Term Financial Plan. Appendix B lists eight specific financial issues/risks and the actions taken in 2012 to help address them.

Highlights include:

- The completion of eight Service Efficiency Studies with savings being realized in 2012 through to 2014 (Fleet Services, Shelter & Housing, Real Estate Services, Solid Waste Management, Toronto Public Library, TTC and Transportation Services);
- During 2012 and into 2013, a number of other Service Efficiency Studies were initiated with savings expected for future years;
- Continued cost containment, continuous improvements and other program review initiatives to ensure appropriate and efficient use of resources;
- Negotiated collective agreements/union contracts with CUPE Local 416 and CUPE Local 79 for four years (2012 to 2016) on favourable terms resulting in savings and liability reductions over the next four years (2012 to 2015);
- In 2012, the City put a funding plan in place to fund a $700M shortfall in TTC funding consisting of funds from operating budget surpluses, sale of assets and dividends from City's agencies and corporations. In 2013, a new non-debt capital financing strategy was established to fund additional TTC and transportation capital needs; and
- For 2012, the City continued to reduce tax rate ratios for business/non-residential properties. Council is on track to meet its objectives of reducing the tax ratio for commercial, industrial and multi-residential properties to 2.5 times the residential tax rate by 2020.

Giuliana Carbone
Treasurer

Toronto, Canada
July 18, 2013

APPENDIX A: KEY ISSUES/RISKS FACING THE CITY OF TORONTO

Issues/Risk	Actions Taken in 2012	Actions planned for 2013 and beyond
City has a higher cost structure than other municipalities in the GTA	• City Council continued to adopt strict budget guidelines for City divisions, agencies and corporations: 10% reduction target set and achieved overall for 2012. • The City, in approving the 2012 Operating Budget, reduced the use of one-time surplus revenue by more than 75% cutting it from $346 million in 2011 to $102 million in 2012. • Negotiated collective agreements / union contracts with CUPE Local 416 and CUPE Local 79 for four years (2012 to 2016) on favourable terms. Cost of living increases are below inflation in the first two years. Additionally, the City is expected to achieve efficiencies, savings and liability reductions of approximately $150 million over 2012 to 2015 through negotiated changes to workplace practices and benefits. Increased management flexibility as a result of the new agreements will also provide improvements and further cost reductions. • Continued to develop the new Financial Planning, Analysis and Reporting system, approved by Council in 2007 with Phase 1 implementation planned for May 2013 for the 2014 budget process and full implementation scheduled for Jan. 2014. The new system sets the foundation for multi-year performance / service-oriented operating budgets. The system will: o track and report performance measures and service level indicators; o align complement management and complement planning processes; o assess cost performance efficiency; o enable better alignment of the City's limited resources to Council priorities; o provide flexibility to incorporate and track long-term service planning initiatives; and o establish the framework to balance service levels and priorities with affordability. • Continued to benchmark operations with other Ontario municipalities. • A multi-year approach is planned to address the operating pressure and capital funding gap. A Service Review Program was implemented in 2011 to identify what services the City should deliver, how they can be more efficient and cost effective, and how we should pay for them. The Service Review Program has three parts:	• Apply budget targets - 0% for 2013. • Implement strategies to eliminate reliance on prior year, one-time operating surplus revenues to balance the operating budget. • Continue to implement recommendations from the Core Service Review that were adopted by Council in 2011 (including request for proposal to determine options for sale, lease, operation or other arrangement in respect of the Toronto Zoo and City owned theatres). • Continue with the Service Efficiency Studies commenced in 2012. • Maintain continuous improvement initiatives including enhanced performance measures and benchmarking. • Continue to develop and implement the new Financial Planning, Analysis and Reporting system to improve budget analysis and program rationalization. (Phase 1 go-live April 2013 for 2014 operating budget preparation.) • Internal Audit and Auditor General continue to conduct audit reviews with a view to maintain and improve internal controls and identify opportunities for further efficiencies. • Continue to benchmark operations with other Ontario municipalities. • Continue to investigate and evaluate possible merger of the City's five Pre-OMERS pension plans with OMERS.

Issues/Risk	Actions Taken in 2012	Actions planned for 2013 and beyond
	o The Core Service Review (completed in 2011) identified what services the City should be delivering. It sets the foundation for the City's services going forward and assists with moving towards a multi-year financial planning and budgeting process. o The User Fee Review (completed in 2011) examined how City's services are paid for. It provides guidelines on how user fee prices are set with the objective of full cost recovery. o The Service Efficiency Studies (which commenced in 2011 and will continue into 2012 and 2013) will look at how certain services are delivered to identify new and more efficient ways to deliver services at a lower cost. • The City completed eight (8) Service Efficiency Studies with savings being realized in 2012 through to 2014 (Fleet Services; Shelter & Housing; Real Estate Services; Solid Waste Management; Toronto Public Library; TTC; Transportation Services). • During 2012 and into 2013, a number of other Service Efficiency Studies were initiated with savings expected for future years (311 Toronto; Children's Services; City Planning; Communications; Counter Services; Court Services; Environment and Energy; Long Term Care Homes; Museum Services; Parks, Forestry and Recreation; Shared Services; Emergency Medical Services; Toronto Fire Services). • Other continuous improvement, program review and cost containment initiatives also continued, to ensure appropriate and efficient use of resources.	
Demands for growth as laid out in the Official Plan or other Sectoral and Program plans are not adequately funded	• Infrastructure backlog continues to grow especially for transportation and parks and recreation, while the backlog is being addressed for some services, (water and city facilities). • Put a funding plan in place to fund the $700 million shortfall in TTC funding consisting of funds from operating budget surpluses, sale of assets and dividends from City agencies and corporations.	• Continue to refine cost estimates related to growth plans. • Province, Metrolinx and the City to jointly begin planning for the new transit plans with the Province contributing $8.4 billion towards the plan. Metrolinx is responsible for delivering the Scarborough RT, Eglinton Scarborough Crosstown, Finch West and Sheppard Ave East Light Rail Transit (LRT) projects.

Issues/Risk	Actions Taken in 2012	Actions planned for 2013 and beyond
	• Strategy developed to fund a reduction in the infrastructure backlog consisting of focusing capital dollars on state-of-good-repair, increase contribution to capital from current, more reliance on development charges, and debt restructuring. • Implemented a property tax exemption for certain Toronto Community Housing Corporation (TCHC) properties thus allow the TCHC to re-invest approximately $6.9 million per year (in education taxes that are no longer required to be paid to the Province) into state-of-good-repair.	• Develop and begin implementing new non-debt capital funding strategy to fund additional TTC and Transportation Capital shortfall identified in the 2013 Budget of $1.205 billion over ten years by earmarking funds from future operating surpluses, anticipated increases in development charge revenues, future Build Toronto dividends, proceeds from the monetization of the City's marketable assets and future year transit/ transportation funding from the Federal/ Provincial governments. • Update Development Charges By-law to reflect updated growth figures and capital spending plans. • Continue to direct funding to the infrastructure backlog. • Continue to adopt sectoral plans which will require funding – such as Parks Plan, Community Arts action Plan, Workforce Development Strategy. • Develop a funding strategy to support the waterfront revitalization and any sectoral plans adopted by City Council.
There is a variability in certain program expenditures from year to year, some of which are vulnerable to economic down turns and interest rate fluctuations	• Continued to work with the Province on a Toronto-Ontario partnership agreement on permanent, sustainable transit operating funding. • Continued to take actions on other risks impacting the City with potential financial impacts: o Climate change adaptation and environmental risks management. o Closely monitored the impacts of interest rate changes on Social Housing costs, investment returns and debt charges. o Affordable housing alternatives and the end of federal subsidies. • Continued to work with OMERS on urging the Province to file the required regulations under the Pension Benefits Act governing pension plan mergers.	• Continue to work with the Province to operationalize the upload and refine the relationship regarding social and related services: OW benefit costs began in 2010 & will be completed by 2018; OW COA started in 2010. • Through the Social Service upload, the Province has re-established the principle that income support programs should not be funded from the property tax base. As such, the City will continue its discussion with the Province regarding its funding responsibilities for Social Housing. • Continue to work with the Province on the agreed upload of court security costs by 2018. • Continue to negotiate with the Province on permanent, sustainable transit operating funding (50% of transit operating costs) and the need for additional capital funds as noted above. • Implement the new Community Homelessness Prevention Initiative (CHPI). • Closely monitor key economic indicators and market conditions to identify trends and forecast impacts on expenditures and revenues, and continue to develop funding strategies to mitigate financial risks. • Continue to request the Province to file the required regulations under the Pension Benefits Act regarding plan mergers.

Issues/Risk	Actions Taken in 2012	Actions planned for 2013 and beyond
Business property taxes are not competitive with the surrounding urban area (905 area code)	• The City has continued the implementation of "Enhancing Toronto's Business Climate" initiative, adopted by City Council in October 2005 – a plan to reduce the ratio for property tax rates for businesses (i.e. commercial and industrial) and multi-residential properties to 2.5 times the residential tax rate by 2020 (a 15 year plan); and further, to provide for an accelerated reduction in tax rates for smaller businesses, with a target of 2.5 times the residential rate by 2015 (a 10 year plan). The estimated benefit to businesses over the 15-year period is approximately $250 million.	• Council approved a modest property tax increase for residents and businesses for 2013 with similar expectations for 2014. • Continue the implementation of the "Enhancing Toronto's Business Climate" initiative. Council is on track to meet its targets of 2015 and 2020. • 2013 is a reassessment year for property taxes paid between 2013 and 2016 which may require a re-examination of tax policies. Council will reconsider its tax policies after reviewing the new assessment data.
The City lacks adequate revenue sources to fund its municipal responsibilities	• Funding for capital projects from other orders of government has been secured over the years – e.g. Share of federal and provincial gas taxes ($300 million per year); Transit Plan ($9 billion); Economic Stimulus Project funding ($460 million 2009 to 2011); one-time transit funding between 2006 and 2009 has ranged from $58 to $360 million per year. • Municipal Land Transfer Tax (MLTT) continued in 2012 attracting a record level of revenue ($350 million).	• Update the Long Term Fiscal Plan in 2013 / 2014. • Continue to petition the Province to restore permanent, sustainable transit operating funding (50% of transit operating costs). • Continue to work with the Provincial and Federal governments to secure long term permanent funding solutions for such items as social housing. • Continue to budget cautiously for MLTT to avoid negative budget impacts and contribute to any surplus to fund the capital shortfall.
Improper funding of Provincial cost-shared programs has resulted in significant financial pressures to the City	• Province continued honoring its cost sharing formulae for Ontario Works.	• Province to continue honoring its cost sharing formulae for Ontario Works and Court Security. • Continue to highlight costs and requirements in areas of joint responsibility, such as social housing and transit and childcare.
City's investment in ageing infrastructure has been lagging	• The City continued to plan for capital on a 10 year basis. • Continued to invest funds in State of Good Repair Reserve Fund. • $700 million capital budget shortfall for TTC vehicles to be funded through a combination of asset monetization proceeds, operating surpluses, and potential new funding from other orders of government over three years.	• Approval of firm 10-year Capital Plan with an emphasis on the state of good repair activities. • Continue to plan for a three year operating plan. • Continue to increase direct operating budget contribution to capital program to offset a portion of debt requirements. • Begin implementing new non-debt capital funding strategy to fund additional TTC and Transportation Capital shortfall identified in the 2013 Budget of $1.205 billion over ten years by earmarking funds from future operating surpluses, anticipated increases in development charge revenues, future Build Toronto dividends, proceeds from the monetization of the City's marketable assets, and future year transit/transportation funding from the Federal/Provincial governments. • Further enhance asset management planning. • Continue to seek funding for transit projects from provincial and federal governments.

Issues/Risk	Actions Taken in 2012	Actions planned for 2013 and beyond
Employee benefits and other long-term liabilities are not adequately funded	• The City updated the actuarial reviews of its employee benefit plans. • Implemented effective Jan 1, 2010 a new Illness or Injury Plan (IIP) for TCEU Local 416 and CUPE Local 79 which resulted in all employees hired after July 31, 2009, not being provided with a sick pay plan. In addition, existing employees had a one-time option to switch to the new IIP plan. As a result, 40% of employees switched to the new IIP plan resulting in a net reduction in current and future sick leave liability of $174.1 million. For management and non-union staff, a similar Short Term Disability Plan was already implemented on March 1, 2008. • Surplus funds in the order of $12 million directed toward benefit reserve funds as a one-time additional contribution. Even with this increase there is still a $193 million shortfall from the City's policy that the Reserve accounts should contain two times its annual benefit costs.	• Implementation of approved strategies to reduce the funding gap between employee benefits reserve and the liabilities: o First stage: to require City's agencies and corporations to contribute annual funding to the Sick Leave Reserve Fund to match budgeted withdrawals (pay as you go); and, o Second stage: to revise the annual benefit charges to Divisions and applicable City's agencies and corporations to reflect additional funding requirements for retired employees, employees on long-term disability, workplace safety (pre-amalgamation) and sick leave gratuity payouts. This is scheduled for implementation in 2014/2015. • Contributions to both the employee benefits reserve funds and the insurance reserve fund in 2013.

2012 CONSOLIDATED FINANCIAL STATEMENTS

CITY OF TORONTO FINANCIAL REPORT

MANAGEMENT'S REPORT

The management of the City of Toronto ("City") is responsible for the integrity, objectivity and accuracy of the financial information presented in the accompanying consolidated financial statements.

The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. A summary of the significant accounting policies is disclosed in Note 1 to the consolidated financial statements.

To meet its responsibility, management maintains comprehensive financial and internal control systems designed to ensure the proper authorization of transactions, the safeguarding of assets and the integrity of the financial data. The City employs highly qualified professional staff and deploys an organizational structure that effectively segregates responsibilities, and appropriately delegates authority and accountability.

The Audit Committee, a sub-committee of City Council ("Council"), reviews and approves the consolidated financial statements before they are submitted to Council. In accordance with Council's directive, the Auditor General oversees the work of the external auditors performing financial statement attest audits. While it is important to recognize that the external audit is an independent process, the Auditor General's role is to ensure that all significant audit issues are appropriately addressed and resolved. In this context, the Auditor General participates in all significant meetings held between the external auditors and management.

The 2012 consolidated financial statements have been examined by the City of Toronto's external auditors, PricewaterhouseCoopers LLP, and their report precedes the consolidated financial statements.

Toronto, Canada
July 18, 2013

Giuliana Carbone
Treasurer

Roberto Rossini
Deputy City Manager & Chief Financial Officer

Joseph P. Pennachetti
City Manager

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the **City of Toronto**

We have audited the accompanying consolidated financial statements of the City of Toronto, which comprise the Consolidated Statement of Financial Position as at December 31, 2012 and the Consolidated Statements of Operations and Accumulated Surplus, Change in Net Debt, and Cash Flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Toronto as at December 31, 2012 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
July 18, 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2012

(with comparative figures as at December 31, 2011)

(all dollar amounts in thousands of dollars)

	2012	2011 (Restated Note 2)
FINANCIAL ASSETS		
Cash	451,938	483,124
Accounts receivable (Note 3)	1,190,882	1,169,204
Property taxes receivable	224,878	244,209
Other assets (Note 4)	162,098	151,890
Investments (Note 5)	4,414,034	3,488,381
Due from Toronto District School Board (Note 13)	26,371	30,190
Investments in government business enterprises (Note 6)	1,775,254	1,716,093
Total financial assets	**8,245,455**	**7,283,091**
LIABILITIES		
Bank indebtedness (Note 7)	49,834	144,710
Accounts payable and accrued liabilities (Note 8)	2,676,071	2,616,322
Deferred revenue (Note 9)	1,574,201	1,420,179
Other liabilities (Note 10)	598,728	555,746
Landfill closure and post-closure liabilities (Note 11)	124,182	121,440
Mortgages payable (Note 12)	732,225	773,590
Net long-term debt (Note 13)	3,699,256	3,264,220
Employee benefit liabilities (Note 14)	3,035,993	2,776,167
Total liabilities	**12,490,490**	**11,672,374**
NET DEBT	**(4,245,035)**	**(4,389,283)**
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 15, Schedule 1)	22,110,293	20,699,162
Inventories and prepaid expenses (Note 16)	299,808	331,532
	22,410,101	**21,030,694**
Commitments and contingencies (Note 17)		
ACCUMULATED SURPLUS (Note 18)	**18,165,066**	**16,641,411**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2012

(with comparative figures for the year ended December 31, 2011)

(all dollar amounts in thousands of dollars)

	2012 BUDGET (Note 19)	2012 ACTUAL	2011 (Restated Note 2)
REVENUE			
Property taxation	3,737,936	3,750,325	3,583,368
Municipal land transfer tax	294,224	349,798	324,065
Taxation from other governments	92,200	106,600	98,596
User charges	2,809,407	2,797,655	2,615,642
Funding transfers from other governments (Note 20)	3,342,820	3,054,218	3,148,351
Gain on sale of Enwave (Note 6)	–	96,611	–
Government business enterprise earnings (Note 6)	–	180,097	188,041
Investment income	170,732	246,760	248,397
Development charges	203,430	141,133	94,952
Rent and concessions	324,537	395,470	386,073
Other	647,899	584,536	604,560
Total revenue	**11,623,185**	**11,703,203**	**11,292,045**
EXPENSES			
General government	1,045,230	873,889	1,193,486
Protection to persons and property	1,620,477	1,558,447	1,667,615
Transportation	3,048,849	2,828,174	2,642,260
Environmental services	1,059,491	810,859	834,088
Health services	407,442	397,210	399,207
Social and family services	2,136,223	1,999,896	2,032,670
Social housing	899,167	850,026	804,577
Recreation and cultural services	922,692	861,716	847,271
Planning and development	122,425	96,533	143,636
Total expenses (Note 21)	**11,261,996**	**10,276,750**	**10,564,810**
ANNUAL SURPLUS	**361,189**	**1,426,453**	**727,235**
ACCUMULATED SURPLUS - BEGINNING OF YEAR	**15,594,762**	**16,641,411**	**15,582,937**
GBE - IFRS adjustment -Toronto Hydro Corp. (Note 6)	–	97,202	331,239
ACCUMULATED SURPLUS - END OF YEAR (Note 18)	**15,955,951**	**18,165,066**	**16,641,411**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

for the year ended December 31, 2012

(with comparative figures for the year ended December 31, 2011)

(all dollar amounts in thousands of dollars)

	2012 BUDGET (Note 19)	2012 ACTUAL	2011 ACTUAL (Restated Note 2)
ANNUAL SURPLUS	**361,189**	**1,426,453**	**727,235**
Acquisition of tangible capital assets	(2,837,989)	(2,297,710)	(2,161,323)
Amortization of tangible capital assets	802,035	801,845	814,522
(Gain) Loss on disposal of tangible capital assets	–	(6,467)	70,170
Recognition of TPLC as a government business enterprise (Note 6)	–	–	163,663
Reclassification of tangible capital assets as inventories	–	50,321	43,209
Proceeds on disposal of tangible capital assets	2,000	40,880	–
Change due to tangible capital assets	**(2,033,954)**	**(1,411,131)**	**(1,069,759)**
Change in inventories and prepaid expenses	–	**31,724**	**(2,195)**
GBE - IFRS adjustment - Toronto Hydro Corp. (Note 6)	–	**97,202**	**331,239**
(Increase) decrease in net debt	(1,672,765)	144,248	(13,480)
NET DEBT - BEGINNING OF YEAR	(4,389,283)	(4,389,283)	(4,375,803)
NET DEBT - END OF YEAR	**(6,062,048)**	**(4,245,035)**	**(4,389,283)**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2012

(with comparative figures for the year ended December 31, 2011)

(all dollar amounts in thousands of dollars)

	2012	2011 (Restated Note 2)
OPERATING ACTIVITIES		
Annual surplus	1,426,453	727,235
Add (deduct) items not involving cash:		
Government business enterprises income from operations	(180,097)	(188,041)
Amortization of tangible capital assets	801,845	814,522
Loss (gain) on disposal of tangible capital assets	(6,467)	70,170
Gain on sale on Enwave	(96,611)	–
	1,945,123	1,423,886
Change in non-cash assets and liabilities related to operations:		
Increase in accounts receivable	(21,678)	(149,744)
Decrease in property taxes receivable	19,331	56,178
Increase in accounts payable and accrued liabilities	59,749	172,795
Increase in deferred revenue	154,022	38,674
Increase in other liabilities	42,982	78,742
Decrease (increase) in inventories and prepaid expenses	31,724	(49,943)
Increase in landfill closure and post-closure liabilities	2,742	382
Increase in employee benefit liabilities	259,826	187,210
Cash provided by operating activities	**2,493,821**	**1,758,180**
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,297,710)	(2,161,323)
Recognition of TPLC as a government business enterprise	–	163,663
Proceeds on disposal of tangible capital assets	40,880	–
Reclassification of tangible capital assets as inventories	50,321	43,209
Cash applied to capital activities	**(2,206,509)**	**(1,954,451)**
INVESTING ACTIVITIES		
Increase in other assets	(10,208)	(27,844)
Purchase of investments, net	(925,653)	(194,174)
Proceeds on repayment of debt due from Toronto District School Board	3,819	3,625
TPLC net assets reported on recognition as government business enterprise	–	(12,841)
Proceeds from sale of Enwave, net of legal fees	167,366	–
Dividends and distributions from government business enterprises	147,383	75,812
Cash provided by (applied to) investing activities	**(617,293)**	**(155,422)**
FINANCING ACTIVITIES		
(Decrease) increase in bank indebtedness	(94,876)	9,381
Principal repayments on mortgages payable	(41,365)	(30,046)
Proceeds from long-term debt issued	801,709	735,585
Principal repayments on long-term debt	(291,512)	(291,103)
Interest earned on sinking funds	(71,342)	(67,110)
Principal repayments on debt by Toronto District School Board	(3,819)	(3,624)
Cash provided by (applied to) financing activities	**298,795**	**353,083**
Net (decrease) increase in cash during the year	(31,186)	1,390
CASH – BEGINNING OF YEAR	483,124	481,734
CASH – END OF YEAR	**451,938**	**483,124**
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	279,493	263,608
Cash received for interest on investments	222,177	220,976

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 *(all dollar amounts in thousands of dollars)*

The City of Toronto (the "City") is the largest city in Canada, and is the provincial capital of Ontario. The City was incorporated March 6, 1834. In 1998, the existing City was formed through the amalgamation of the City, Metropolitan Toronto, East York, Etobicoke, North York, Scarborough and York. The City operates under the provisions of the City of Toronto Act, 2006.

1. Summary of Significant Accounting Policies

Basis of accounting

The consolidated financial statements of the City have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) established by the Public Sector Accounting Board ("PSAB") of The Canadian Institute of Chartered Accountants ("CICA").

Principles of consolidation

The consolidated financial statements include all organizations that are accountable for the administration of their financial affairs and resources to City Council ("Council") and are controlled by the City. These statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, reserves and reserve funds of the City and each entity, except for government business enterprises which are accounted for by the modified equity basis of accounting and the Toronto Waterfront Revitalization Corporation which is accounted for by proportionate consolidation.

Consolidated entities:

Agencies and Corporations:

- Board of Governors of Exhibition Place
- Board of Management of the Toronto Zoo
- Casa Loma Corporation
- Heritage Toronto
- Lakeshore Arena Corporation
- The North York Performing Arts Centre Corporation
- The Sony Centre for the Performing Arts
- St. Lawrence Centre for the Arts
- Toronto Atmospheric Fund ("TAF")
- Toronto Board of Health
- Toronto Community Housing Corporation ("TCHC")
- Toronto Licensing Commission
- Toronto Police Services Board
- Toronto Public Library Board
- Toronto Transit Commission ("TTC")
- Toronto Waterfront Revitalization Corporation ("TWRC") (1/3rd proportionately)
- Yonge-Dundas Square
- Build Toronto Inc.
- Invest Toronto Inc.

Arenas:

- Forest Hill Memorial
- George Bell
- Leaside Memorial Community Gardens
- McCormick Playground
- Moss Park
- North Toronto Memorial
- Ted Reeve Community
- William H. Bolton

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 *(all dollar amounts in thousands of dollars)*

Community Centres:

- 519 Church Street
- Applegrove
- Cecil Street
- Central Eglinton
- Community Centre 55
- Eastview Neighbourhood
- Harbourfront
- Ralph Thornton
- Scadding Court
- Swansea Town Hall

Business Improvement Areas:

- Albion/Islington Square
- Baby Point Gates
- Bloor Annex
- Bloor by the Park
- Bloorcourt Village
- Bloordale Village
- Bloor Street
- Bloor West Village
- Bloor-Yorkville
- Cabbagetown
- Chinatown
- Church-Wellesley Village
- College Promenade
- Corso Italia
- Crossroads of the Danforth
- Danforth Mosaic
- Danforth Village
- Dovercourt Village
- Downtown Yonge
- Dundas West
- Eglinton Hill
- Emery Village
- Fairbank Village
- Financial District
- Forest Hill Village
- Gerrard India Bazaar
- Greektown on the Danforth
- Harbord Street
- Hillcrest Village
- Historic Queen East
- Junction Gardens
- Kennedy Road
- Kensington Market
- Kingsway
- Korea Town
- Lakeshore Village
- Liberty Village
- Little Italy
- Little Portugal
- Long Branch
- Mimico by the Lake
- Mimico Village
- Mirvish Village
- Mount Dennis
- Mount Pleasant
- Oakwood Village
- Pape Village
- Parkdale Village
- Queen Street West
- Regal Heights Village
- Riverside
- Roncesvalles Village
- Rosedale Main Street
- Sheppard East Village
- St. Clair Gardens
- St. Lawrence Market Neighbourhood
- The Beach
- The Danforth
- The Dupont Strip
- The Eglinton Way
- The Queensway
- The Waterfront
- Toronto Entertainment District
- Trinity Bellwoods
- Upper Village
- Uptown Yonge
- Village of Islington
- West Queen West
- Weston Village
- Wexford Heights
- Wychwood Heights
- Yonge-Lawrence Village
- York-Eglinton

All inter-fund assets and liabilities and sources of financing and expenses have been eliminated in these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 *(all dollar amounts in thousands of dollars)*

Government business enterprises (GBEs)

The following entities are accounted for in these consolidated financial statements as government business enterprises using the modified equity basis of accounting. Under the modified equity basis, the accounting principles of government business enterprises are not adjusted to conform to the City's accounting principles and inter-organizational transactions and balances are not eliminated. Inter-organizational gains and losses are however, eliminated on assets remaining within the government reporting entities at the reporting date.

- Toronto Hydro Corporation
- Toronto Parking Authority
- City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company ("TPLC") (recognized as a GBE effective January 1, 2011)
- Enwave Energy Corporation (Enwave) (divested October 31,2012)

Trust funds

Trust funds and their related operations administered by the City are not included in the consolidated financial statements, but are reported separately in the Trust Fund Financial Statements (Note 23).

Use of estimates and measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Significant estimates and assumptions, which include employee benefit liabilities; property tax assessment appeals; property, liability and accident claims provisions; landfill closure and post-closure liabilities; and environmental provisions, are based on management's best information and judgment. Actual amounts, which are accounted for as they become known, may differ significantly from these estimates.

Tax revenues

Annually, the City bills and collects property tax revenues for municipal purposes as well as provincial education taxes on behalf of the Province of Ontario (the "Province") for education purposes. The authority to levy and collect property taxes is established under the City of Toronto Act, 2006, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund the cost of education on a Province-wide basis.

Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation ("MPAC"), a not-for-profit corporation funded by all of Ontario's municipalities. The current value assessment ("CVA") of a property represents an estimated market value of a property as of a fixed date. Assessed values for all properties within the municipality are provided to the City in the returned assessment roll in December of each year.

The amount of property tax levied on an individual property is the product of the CVA of the property (assessed by MPAC) and the tax rate for the class (approved by Council), together with any adjustments that reflect Council-approved mitigation or other tax policy measures, rebate programs, etc.

Property taxes are billed by the City twice annually. The interim billing, issued in January, is based on 50% of the total property's taxes in the previous year, and provides for the cash requirements of the City for the initial part of the year prior to Council's approval of the final operating budget and the approved property tax levy for the year. Final bills are issued in May, following Council's approval of the capital and operating budget for the year, the total property tax levy, and the property tax rates needed to fund the City's operations.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The City may receive supplementary assessment rolls over the course of the year from MPAC, identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced by reductions in assessment values resulting from assessment and/or property tax appeals. Each year, an amount is identified within the annual operating budget to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (e.g., uncollectible amounts, write-offs, etc.).

In Toronto, annual property tax increases for properties within the commercial, industrial and multi-residential tax classes have been subject to limitations on the maximum allowable year-over-year increase since 1998, in order to mitigate dramatic tax increases due to changes in assessed values.

In October 2005, Council adopted a staff report entitled "Enhancing Toronto's Business Climate – It's Everybody's Business," that introduced a number of new tax policy initiatives that began in 2006. These changes included limiting allowable annual tax increases on these property classes to 5% of the previous year's full CVA taxation level, and gradually reducing the proportion of the total property tax levy that is borne by the commercial, industrial and multi-residential classes through 2020.

Beginning in 2008, the City implemented the Municipal Land Transfer Tax, which applies to all land sales. The revenues are transaction-based and are recognized at the time of the transaction, at registration of the sale of land.

User charges

User charges relate to transit fees, utility charges (water, wastewater and solid waste), licensing fees, fees for use of various programs, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

Government transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers are recognized in the fiscal year in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met and reasonable estimates of the amounts can be made.

Development charges

Development charges are charges imposed on land development or redevelopment projects. Fees are set out in a City by-law, which conforms to the requirements of the Development Charges Act, 1997. Development charges are collected when an above grade building permit is issued, and recognized in revenues when used to fund capital projects.

Other revenue

Other revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year, are deferred and reported as liabilities.

Expenses

Expenses are recognized in the year that the events giving rise to the expenses occur and there is a legal or constructive obligation to pay.

Investments

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. The majority of investments consists of authorized investments pursuant to provisions of the City of Toronto Act, 2006 and comprises government and corporate bonds, debentures and short-term instruments of various financial institutions. TCHC and TAF have their own investment policies, which allow them to invest in equities.

Investment income is reported as revenue in the period earned. Investment income earned on reserve funds that are set aside for specific purposes by legislation, regulation or agreement, is added to the fund balance and forms part of the respective deferred revenue balances.

Property and liability claims

Estimated costs to settle property and liability claims are actuarially determined based on available loss information and projections of the present value of estimated future expenditures, developed from the City's historical experience on loss payments. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expenditure, and are included in other liabilities on the Consolidated Statement of Financial Position.

TTC unsettled accident claims

The TTC has a self-insurance program for automobile and general liability claims. When claims are reported, case reserves are initially estimated on an individual basis by adjusters and lawyers. A provision is made, on a present value basis, for claims incurred, for claims incurred-but-not-reported, and for internal and external adjustments.

Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance and costs can be reasonably determined.

The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expense, and are included in other liabilities on the Consolidated Statement of Financial Position.

Landfill closure and post-closure liabilities

The costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in perpetuity in current dollars, adjusted for estimated inflation. These costs are reported as a liability on the Consolidated Statement of Financial Position.

Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recorded as deferred revenue and are recognized as revenue in the year the related expenses are incurred or services are performed, as this is the time the eligibility criteria have been met and the revenue is earned.

Derivative financial instruments

A derivative financial instrument (interest rate swap) is used to manage interest rate risk with respect to a certain TCHC term loan. TCHC does not account for its interest rate swap as a hedge, and as such, any realized or unrealized gains or losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus. The City also utilizes derivative financial instruments in the management of its purchase of electricity and natural

December 31, 2012 (all dollar amounts in thousands of dollars)

gas. The City's policy is not to use derivative financial instruments for trading or speculative purposes. Derivative contracts are recorded at their fair value as an asset or liability based on quoted market prices, with changes in fair value, if any, recorded in the Consolidated Statement of Operations and Accumulated Surplus.

Employee benefit liabilities

The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs. Costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of other employee benefit liabilities are actuarially determined using the projected benefits method, prorated on service and management's best estimates of retirement ages of employees, salary escalation, expected health costs and plan investment performance. Accrued obligations and related costs of funded benefits are net of plan assets.

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefit assets are presented net of any required valuation allowance. Employee future benefit liabilities are discounted using current interest rates on long-term municipal debentures.

The costs of workplace safety and insurance obligations are actuarially determined and are expensed in the period they occur.

Tangible capital assets

Tangible capital assets (TCA) are recorded at historical cost or estimated historical cost based on appraisals or other acceptable methods where historical cost is not available. Cost includes amounts directly attributable to the acquisition, construction, development or betterment of an asset. The cost less expected residual value is amortized on a straight-line basis, over the estimated useful lives of the assets, at the following rates:

Asset	
Land improvements	15 – 70 years
Buildings and building improvements	25 – 100 years
Machinery and equipment	4 – 60 years
Motor Vehicles	6 – 20 years
Water and wastewater linear	60 – 100 years
Roads linear	25 – 70 years
Transit	10 – 65 years

One-half of the amortization is recorded in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is substantially complete and available for productive use.

Donated tangible capital assets are recorded at estimated fair market value as at the date of donation, and are also recorded in revenue.

Works of art, cultural, and historic assets are not recorded as assets in these consolidated financial statements.

The City does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

The cost of normal maintenance and repairs which does not add value to the asset or materially extend asset lives is not capitalized

Reserves and reserve funds

Reserves and reserve funds are comprised of funds set aside for specific purposes by Council and funds set aside for specific purposes by legislation, regulation or agreement. For financial reporting purposes, reserve funds set aside by legislation, regulation or agreement are reported as deferred revenue on the Consolidated Statement of Financial Position. Other reserve funds and reserves are balances within the accumulated surplus.

2. Restatement of Prior Period Consolidated Financial Statements

Prior period consolidated financial statements have been restated for the following two matters:

a) During the year a review of deferred revenue accounts was undertaken and amounts representing contra-accounts for certain loans were adjusted. Some of these loans pre-date amalgamation, while others result from programs that continue to be in place. The impact of this change to accumulated surplus as at January 1, 2011 is an increase of $57,583.

b) The Toronto Waterfront Revitalization Corporation consolidated financial statements have been restated to include assets under development, which were previously expensed. The impact of this adjustment to accumulated surplus and assets under construction as at January 1, 2011 is an increase of $40,300 representing the City's 1/3 share.

December 31, 2012 (all dollar amounts in thousands of dollars)

The impacts of these changes are as follows:

Consolidated Statement of Financial Position

	2011 (as reported)	2011 (as restated)	Change
	$	$	$
Deferred revenue*	1,479,932	1,420,179	(59,753)
Accounts receivable**	1,169,755	1,169,204	551
Assets under construction – TWRC	20,629,025	20,699,162	(70 137)
Accumulated surplus	16,512,072	16,641,411	129,339

* Deferred revenue as reported, is net of regrouped items totaling $32,661.

** Accounts receivable as reported, is net of regrouped items totaling $5,053.

Consolidated Statement of Operations

	2011 (as reported)	2011 (as restated)	Change
	$	$	$
General government	1,195,957	1,193,486	(2,471)
Social and family services	2,049,481	2,049,504	23
Social housing	803,748	804,577	829
Planning and development - TWRC	173,473	143,636	(29,837)
Total expenses *	**10,596,266**	**10,564,810**	**(31,456)**
Annual surplus	**695,779**	**727,235**	**(31,456)**
Accumulated surplus, beginning of year	**15,485,054**	**15,582,937**	**(97,883)**
GBE-Transition adjustments upon IFRS Adoption			
2010 Opening change	**331,239**	**331,239**	**–**
Accumulated surplus, end of year	**16,512,072**	**16,641,411**	**(129,339)**

* Total expenses as reported is net of regrouped items totaling $53,805.

December 31, 2012 (all dollar amounts in thousands of dollars)

3. Accounts Receivable

Accounts receivable consist of the following:

	2012	2011 (Restated)
	$	$
Government of Canada	326,193	316,131
Government of Ontario	297,752	228,338
Other municipal governments	44,971	26,346
School Boards	9,608	9,382
Utility fees	144,468	133,565
Other fees and charges	367,890	455,442
	1,190,882	1,169,204

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 *(all dollar amounts in thousands of dollars)*

4. Other Assets

Other assets consist of the following:

	2012	2011
	$	$
TCHC has entered into loan agreements with Dundas and Parliament Development Corporation (DPDC) and Parliament and Gerrard Development Corporation (PGDC) to finance the pre-development and construction of condominium buildings. Advances earn interest at the bank's prime rate plus 0.28% to 0.50%.	4,598	35,785
Build Toronto Inc. loan receivable from Pinewood Toronto Studios Inc. (PTSI), due September 2018, bearing interest at 5.61%, to be converted into a 25 year amortizable debenture upon maturity.	29,038	29,038
Build Toronto Inc. loan receivable from Toronto Waterfront Studios Inc., due June 2014, bearing interest at 6%, secured by a pledge of 1,000 shares of PTSI.	3,776	3,776
Build Toronto Inc. Vendor-take-back (VTB) mortgages of $57,106. The interest rates range from 0% to 6.5% with various maturities from July 30, 2013 to December 23, 2014, secured by charges on the land. The 0% mortgage was adjusted to its fair value.	36,939	2,245
Provincial affordability housing grants for the development of three TCHC projects are paid monthly and have been set up as grant receivable.	10,145	10,559
TCHC's equity in Joint Ventures consists of a co-tenancy agreement with a developer for the construction of certain properties in Regent Park and a loan agreement with PGDC to finance the pre-development costs of condominium buildings. Additionally, TCHC's wholly owned subsidiary Railway Lands Development Corporation (RLDC) has entered into an equal interest co-tenancy agreement with a developer, Library District Inc. for the construction of certain properties.	15,486	7,215
Loans receivable from community housing organizations bearing interest at rates from 0% to 5% (2011 – 0% to 5%) per annum, maturing from 2013 to 2044.	48,167	49,017
TCHC Mortgages receivable are to related sales-type leases from 2010 to 2057 for commercial space in a TCHC building. One mortgage has a maturity date of May 11, 2037, and bears interest at 4.88%. The other two mortgages have a term starting from May 11, 2037 to May 11, 2057, and bear interest equal to the replacement debenture rate.	11,974	11,974
Other	1,975	2,281
	162,098	**151,890**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 *(all dollar amounts in thousands of dollars)*

5. Investments

Investments consist of the following:

	2012		
	Cost	Market value	Carrying value
	$	$	$
Federal government bonds	476,587	528,259	476,587
Provincial government bonds	1,085,975	1,185,785	1,085,975
Municipal government bonds	482,817	527,841	482,817
Money market instruments	1,787,917	1,793,144	1,787,917
Corporate bonds	345,006	357,453	345,006
Other	235,732	254,052	235,732
	4,414,034	**4,646,534**	**4,414,034**

	2011		
	Cost	Market value	Carrying value
	$	$	$
Federal government bonds	449,882	509,380	449,882
Provincial government bonds	1,098,856	1,225,573	1,098,856
Municipal government bonds	472,894	522,807	472,894
Money market instruments	915,125	915,125	915,125
Corporate bonds	364,425	380,294	364,425
Other	187,199	229,860	187,199
	3,488,381	**3,783,039**	**3,488,381**

Municipal and Federal government bonds include bonds held in trust by the insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of $64,281 (2011 - $0). The weighted average yield on the cost of the bond investment portfolio during the year was 5.52% (2011 - 5.73%). Maturity dates on investments in the portfolio range from 2013 to 2042 (2011 - 2012 to 2041). Included in the City's municipal government bonds portfolio are City of Toronto debentures at coupon rates varying from 4.50% to 8.65% (2011 – 4.05% to 8.65%) with a carrying value of $182,237 (2011 - $179,915).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 *(all dollar amounts in thousands of dollars)*

Other investments held by the City and its agencies and corporations consist of the following:

	2012		
	Cost	**Market value**	**Carrying value**
	$	$	$
City investments	279	279	279
Build Toronto	28,698	28,698	28,698
TAF	17,359	19,156	17,359
TCHC			
– Pooled investments	169,095	185,618	169,095
– Term deposits and other	10,328	10,328	10,328
TWRC	9,973	9,973	9,973
	235,732	**254,052**	**235,732**

	2011		
	Cost	**Market value**	**Carrying value**
	$	$	$
City investments	254	254	254
Build Toronto	3,313	3,313	3,313
Invest Toronto	956	957	956
St. Lawrence Centre for the Arts	5	5	5
TAF	19,049	19,108	19,049
TCHC			
– Pooled investments	135,417	178,018	135,417
– Term deposits and other	6,762	6,762	6,762
TWRC	21,443	21,443	21,443
	187,199	**229,860**	**187,199**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 *(all dollar amounts in thousands of dollars)*

6. Investments in Government Business Enterprises (GBEs)

Government business enterprises consist of 100% interest in Toronto Hydro Corporation (a hydro-electric local distribution company), Toronto Parking Authority (an operator of public parking for the City of Toronto), Toronto Port Lands Company (a company involved in development of real estate in the Toronto port lands, reclassified as a GBE effective January 1, 2011), and an approximate 43% interest in Enwave (a provider of district heating and cooling within the downtown core of Toronto). The City divested their interest in Enwave effective October 31, 2012.

a) Details of the continuity of the book value of these investments are as follows:

	2012	2011
	$	$
Balance - beginning of year	1,716,093	1,259,784
TPLC net assets reported on recognition as government business enterprise	–	12,841
January 2011 adjustments to TPLC net assets	–	20,057
Income from operations (Appendix 1)	177,667	163,637
Adjusted cost of Enwave investment sold	(70,755)	–
Transition adjustment upon IFRS conversion – TPLC	–	329,894
Transition adjustment upon IFRS conversion – Toronto Parking Authority	–	1,345
IFRS adjustment – Toronto Hydro Corp.	97,202	–
Dividends received (Appendix 1)	(87,966)	(33,063)
Distribution to City (Appendix 1)	(59,417)	(42,749)
Change in net book value of streetlighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	1,616	3,533
Change in net book value of water infrastructure assets eliminated on transfer from Enwave (Appendix 1)	814	814
Balance – end of year (Appendix 1)	**1,775,254**	**1,716,093**

Toronto Hydro Corporation reports under United States GAAP and has provided a reconciliation to International Financial Reporting Standards (IFRS) to the City. The IFRS adjustment to retained earnings for Toronto Hydro Corporation is primarily due to differences in accounting treatment related to regulatory assets and liabilities and property, plant and equipment. Under IFRS, there is currently no equivalent standard for rate-regulated accounting and therefore, all regulatory balances that did not meet the definition of an asset or a liability under International Accounting Standards (IAS) were derecognized for the purposes of the reconciliation. In addition, property, plant and equipment that were disposed of, replaced or had no future economic value were derecognized under IAS 16 "Property, Plant and Equipment".

December 31, 2012 (all dollar amounts in thousands of dollars)

b) Investment in Government Business Enterprise is comprised of equity and long-term subordinated debt as follows:

		2012	2011
		$	$
Toronto Hydro Corporation	Equity	1,202,707	1,074,183
Toronto Parking Authority	Equity	207,293	204,721
Enwave	Equity	–	21,603
	Debt	–	46,152
Toronto Port Lands Company	Equity	365,254	369,434
		1,775,254	**1,716,093**

c) Condensed financial results for each government business enterprise are disclosed in Appendix 1 to the notes to these consolidated financial statements. The results presented in Appendix 1 relate to fiscal years ended December 31 for Toronto Hydro Corporation, Toronto Parking Authority, and Toronto Port Lands Company, and October 31 for Enwave.

d) Gain on sale of Enwave
On October 31, 2012 the City sold its shares in Enwave for a total consideration of $167,449, resulting in a gain on sale of $96,611 (proceeds net of legal fees of $167,366 less adjusted cost of investment of $70,755).

e) Government Business Enterprise Earnings on the Consolidated Statement of Operations and Accumulated Surplus consists of the following:

	2012	2011
	$	$
January 2011 Adjustments to TPLC net Assets	–	20,057
Income from Operations	177,667	163,637
Change in net book value of streetlighting assets – Toronto Hydro	1,616	3,533
Change in net book value of water infrastructure assets – Enwave	814	814
Government Business Enterprises Earnings	**180,097**	**188,041**

f) Related party transactions between the City and its government business enterprises are as follows:

	2012	2011
	$	$
Received by the City:		
City loan receivable outstanding from Toronto Port Lands Company on a construction loan facility	–	128,500
Purchased by the City:		
Street-lighting, electricity, and maintenance services from Toronto Hydro Corporation	222,032	147,469

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 *(all dollar amounts in thousands of dollars)*

g) Principal repayment due dates of long-term debt of the GBEs are as follows:

	Total	Due to City	Due to Others
	$	$	$
2013	470,439	–	470,439
2014	412	–	412
2015	436	–	436
2016	460	–	460
2017	250,346	–	250,346
Thereafter	754,228	–	754,228
	1,476,321	–	**1,476,321**

h) The City's GBEs are committed to the following minimum annual operating lease payments:

	$
2013	10,856
2014	10,764
2015	9,020
2016	7,634
2017	2,960
Thereafter	1,074
	42,308

There are five joint venture agreements between TPA and private developers, which generally provide for the sale of above-grade strata air rights and the acquisition of parking garages. These agreements cover 1,265 parking spaces and will require an outlay of $13,570.

December 31, 2012 (all dollar amounts in thousands of dollars)

7. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of $100,000 (2011 - $100,000) bearing interest at the bank's prime rate with an effective rate during 2012 of 3% (2011 – 3%) per annum.

TCHC has a committed revolving credit facility of $200,000 (2011 - $200,000) that is available for short-term advances and letters of credit, of which $4,000 (2011 - $70,860) has been utilized. Short-term advances are available by way of Bankers' Acceptance ("BA") and are repayable at maturity of the term on various dates throughout 2013. Interest charges are at the BA rate plus 1.10% for an effective rate of 2.39% (2011 - 2.36%) per annum. As at December 31, 2012, TCHC also has outstanding letters of credit of $5,610 (2011 - $6,499).

Build Toronto Inc. (BTI) has a credit facility for a maximum of $34,500, bearing interest-only for the first three years at 1.99%, to be reset monthly to the lender's borrowing rate. Thereafter, the interest will be fixed and the remaining principal amount will be amortized over 25 years.

Bank indebtedness consists of the following:

	2012	2011
	$	$
City, net outstanding cheques	16,795	41,035
TCHC	4,000	70,860
Build Toronto Inc.	29,039	32,815
	49,834	**144,710**

8. Accounts Payable and Accrued Liabilities

Accounts payable consist of the following:

	2012	2011
	$	$
Trade payables and accruals	1,667,616	1,622,894
School boards	330,762	260,470
Provision for assessment appeals on property taxes paid	389,639	487,309
Credit balances on property tax accounts	66,885	41,657
Wages accruals	221,169	203,992
	2,676,071	**2,616,322**

December 31, 2012 (all dollar amounts in thousands of dollars)

9. Deferred Revenue

(a) Obligatory reserve funds

Revenues received that have been set aside for specific purposes by Provincial legislation, as well as certain City bylaws or agreements, are included in deferred revenue and reported on the Consolidated Statement of Financial Position.

Details of these deferred revenues are as follows:

	2012	2011 (Restated)
	$	$
Restricted by Provincial legislation		
Development Charges	375,071	320,420
Recreational Land (Planning Act)	347,525	261,055
Subdividers' Deposits	10,808	13,741
Building Code Act Service Improvement	20,821	15,370
Provincial Gas Tax	–	5,009
	754,225	615,595
Restricted by other agreements		
Public Transit Funds	272,203	383,520
Water and Wastewater	156,017	30,900
Community Services	81,948	82,025
Third Party Agreements	25,959	25,113
State of Good Repair	13,794	10,765
Parking Authority	3,185	2,858
	553,106	535,181
Total obligatory reserve funds	**1,307,331**	**1,150,776**

(b) Advanced payments and contributions

Revenues received for advance payments for tickets and building permits, program registration fees, contributions from developers according to Section 37 of the Planning Act and revenues deferred for TCHC's capital asset replacements are included in deferred revenue and reported on the Consolidated Statement of Financial Position. Details of these deferred revenues are as follows:

	2012	2011 (Restated)
	$	$
Community Services	1,217	6,846
Building Code Act	51,218	39,642
Long-Term Care – Public Health and Housing	12,445	10,358
Police	1,730	1,654
Parks	14,042	5,212
MetroLinx – Union Station	28,636	28,429
Other	53,257	55,266
City's agencies and corporations	104,325	121,996
Totoal advance payments and contributions	**266,870**	**269,403**
(c) Total Deferred Revenue (9 (a) and 9 (b))	**1,574,201**	**1,420,179**

December 31, 2012 (all dollar amounts in thousands of dollars)

10. Other Liabilities

Other liabilities consist of the following:

	2012	2011
	$	$
Property and liability claims provision (Note 17b)	326,350	296,221
TTC – unsettled accident claims (Note 17b)	169,821	157,833
Build Toronto – environmental liabilities (Note 17h)	26,845	20,010
TTC – environmental liabilities (Note 17g)	15,275	13,400
Other	60,437	68,282
	598,728	**555,746**

11. Landfill Closure and Post-Closure Liabilities

The Ontario Environmental Protection Act (the "Act") sets out the regulatory requirements for the closure and maintenance of landfill sites. Under the Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided for all inactive landfill sites and active landfill sites based on usage.

Active Sites

In 2007, the City acquired the Green Lane Landfill, securing the City's long-term disposal requirements. The landfill is located in the Township of Southwold, Elgin County, Ontario. The landfill is projected to reach its approved capacity by the end of 2034, based on Toronto achieving a 70% residential waste diversion rate. The post-closure care period is expected to occur in perpetuity.

The estimated liability for the care of this landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 4.5% (2011–5%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2012 is $4,039 (2011 - $3,022), based on the percentage of total approved capacity used of 34.17% (2011 – 30.37%).

In order to help reduce the future impact of these obligations, the City has established two reserve fund accounts. The Green Lane account holds surpluses from the operations of the Green Lane landfill site, and the Green Lane Perpetual Care account provides funding for the future costs of long-term post-closure care of the Green Lane landfill site. The balance in the Green Lane account as at December 31, 2012 was $16,881 (2011 - $12,148) and the balance in the Green Lane Perpetual Care account as at December 31, 2012 was $2,174 (2011 - $1,527). Total contributions to the Green Lane Perpetual Care account of $632 (2011 - $640) were based on a contribution rate of 88¢ (2011 - 88¢) per tonne of waste disposed. Both of these reserve fund accounts are included as part of The State of Good Repair Reserve Fund (Note 18).

December 31, 2012 (all dollar amounts in thousands of dollars)

Inactive Sites

The City has identified 160 (2011 – 160) inactive landfill sites for which it retains responsibility for all costs relating to closure and post-closure care (Note 17i).

Post-closure care activities for landfill sites are expected to occur in perpetuity and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

The estimated liability for the care of inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 4.5% (2011 – 5%). The estimated present value of future expenditures for post-closure care as at December 31, 2012 was $120,143 (2011 – $118,418).

In order to help reduce the future impact of these obligations, the City has established a reserve fund for the care of these sites and maintains a trust fund in satisfaction of requirements of the Ministry of the Environment. The balance in the Solid Waste Management Perpetual Care Reserve Fund as at December 31, 2012 was $19,944 (2011 - $24,859) and is included as part of the State of Good Repair Reserve Fund (Note 18), and the balance in the Keele Valley Site Post-Closure Trust Fund as at December 31, 2012 was $7,467 (2011 - $7,444) (Note 23).

The total landfill closure and post-closure liabilities are as follows:

	2012	2011
	$	$
Active landfill site (Green Lane)	4,039	3,022
Inactive landfill sites	120,143	118,418
	124,182	**121,440**

Landfill closure and post-closure costs totaling $6,707 (2011 - $5,899) were expensed during the year.

12. Mortgages Payable

Mortgages payable are as follows:

	2012	2011
	$	$
Mortgages issued by TCHC, bearing interest at rates ranging from 2.11% to 12.75% (2011 – 2.68% to 12.75%) per annum, with maturities ranging from 2013 to 2048, and collateralized by housing properties owned by TCHC with a net book value of approximately $1,555,623 (2011 - $1,519,606).	**732,225**	**773,590**

December 31, 2012 (all dollar amounts in thousands of dollars)

Principal repayments are due as follows:

	$
2013	47,372
2014	49,449
2015	51,504
2016	52,155
2017	52,798
Thereafter	478,947
	732,225

Principal payments made in 2012: $41,365 (2011 - $30,046).

13. Net Long-Term Debt

Provincial legislation restricts the use of long-term debt to finance only capital expenditures. Provincial legislation also allows the City to issue debt on behalf of the Toronto District School Board ("TDSB") at TDSB's request. The responsibility of raising the amounts to service these liabilities lies with TDSB. The debt is a direct, joint and several obligation of the City and TDSB.

The net unsecured long-term debt reported on the Consolidated Statement of Financial Position comprises the following:

	2012	2011
	$	$
Debentures issued by the City, bearing interest at various rates ranging from 3.50% to 8.65% (2011 - 3.50% to 8.65%) per annum, maturing from 2013 to 2042.	4,756,468	4,084,990
Debt issued by TCHC bearing interest at various rates ranging from 4.55% to 5.40% (2011 - 4.55% to 5.39%) per annum, maturing from 2013 to 2040. Included in this debt is a non-revolving 20-year term loan of $37,936 (2011 - $40,432) bearing interest at a fixed rate of 4.55% per annum, maturing February 15, 2018. The estimated fair value loss of the interest rate swap at December 31, 2012 is $4,698 (2011 - $6,119).	502,888	508,283
Debentures issued by the City on behalf of the TDSB, bearing interest at 6.10% (2011 - 6.10%) per annum, maturing from 2013 to 2037.	75,846	75,846
Loans payable to the Province, bearing interest at 2.76% (2011 - 2.76%) per annum, with no fixed maturity date (Note 25).	170,171	170,171
Loan payable, bearing interest at 8.05% (2011 - 8.05%) per annum, maturing in 2018.	952	1,078
Debt issued by Lakeshore Arena Corporation ranging from 1.60% to 5.23%. Included in this debt is a fixed rate loan with interest at 5.23% with principal payable monthly and a lump sum payment due October 31, 2017, as well as 3 floating rate loans with interest rates from 1.60% to 4.25% with full settlement due September 30, 2014.	39,234	39,547
Sinking fund deposits bearing interest at rates between 3.5% and 6% (2011 - 4% to 6%) per annum.	(1,796,828)	(1,570,039)
Sinking fund deposits – TDSB, bearing interest at 5% (2011 - 5%) per annum.	(49,475)	(45,656)
	3,699,256	**3,264,220**

December 31, 2012 (all dollar amounts in thousands of dollars)

Principal repayments are due as follows:

	$
2013	524,636
2014	398,029
2015	318,711
2016	293,603
2017	267,573
Thereafter	1,896,704
	3,699,256

Principal payments made in 2012 were $227,543 (2011 - $198,898).

Included in net long-term debt are outstanding debentures of $4,448,000 (2011 - $3,848,000) for which there are sinking fund assets with a carrying value of $1,817,432 (2011 - $1,604,342) and a market value of $1,969,478 (2011 - $1,772,462).

Sinking fund assets are comprised of short-term notes and deposits, government and government-guaranteed bonds and debentures, and corporate bonds. Government and government-guaranteed bonds and debentures include City of Toronto debentures with a carrying value of $172,971 (2011 - $146,944) and a market value of $195,268 (2011 - $168,079).

The City's net long-term debt is to be recovered from the following sources:

	2012	**2011**
	$	$
Property taxes	3,130,763	2,686,200
TCHC	502,888	508,283
Lakeshore Arena	39,234	39,547
TDSB	26,371	30,190
	3,699,256	**3,264,220**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 *(all dollar amounts in thousands of dollars)*

14. Employee Benefit Liabilities

Employee benefit liabilities as at December 31 are as follows:

	2012	2011
	$	$
Future payments required for:		
Sick leave benefits (a)(i)	471,472	479,559
WSIB obligations (a)(ii)	428,767	459,565
Other employment and post-employment benefits (a)(iii)	2,076,852	2,115,655
Pension liabilities (b)	26,694	123,980
Total employee accrued benefit obligation	3,003,785	3,178,759
Unamortized actuarial gain/(loss)	32,208	(402,592)
Employee benefit liabilities	**3,035,993**	**2,776,167**

The continuity of the City's **employee benefit liabilities**, in aggregate, is as follows:

2012	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	2,776,167	2,839,707	(187,520)	123,980
Current service costs	303,834	239,349	64,485	–
Interest cost	109,270	103,842	1,153	4,275
Amortization of actuarial (gain)/loss	(75,516)	30,907	(3,866)	(102,557)
Employer contributions	(112,456)	–	(97,950)	(14,506)
Benefits paid	(200,860)	(200,860)	–	–
Plan amendments	27,634	(3,646)	31,280	–
Change in valuation allowance	207,920	–	192,418	15,502
Balance – end of year	**3,035,993**	**3,009,299**	**–**	**26,694**

2011	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	2,588,957	2,683,619	(123,847)	29,185
Current service costs	279,397	218,226	61,171	–
Interest cost	106,489	115,284	(4,598)	(4,197)
Amortization of actuarial loss	209,585	7,755	36,844	164,986
Employer contributions	(106,681)	–	(92,055)	(14,626)
Benefits paid	(187,052)	(187,052)	–	–
Plan amendments	67,576	1,875	65,701	–
Change in valuation allowance	(182,104)	–	(130,736)	(51,368)
Balance – end of year	**2,776,167**	**2,839,707**	**(187,520)**	**123,980**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 *(all dollar amounts in thousands of dollars)*

The continuity of the **accrued benefit obligation**, in aggregate, is as follows:

	2012			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	6,485,853	2,839,707	1,885,744	1,760,402
Current service cost	303,834	239,349	64,485	–
Interest cost	310,643	103,842	111,230	95,571
Amortization of actuarial (gain)/loss	(125,424)	30,907	(81,947)	(74,384)
Benefits paid	(462,462)	(200,860)	(94,160)	(167,442)
Plan amendments	27,634	(3,646)	31,280	–
Balance – end of year	**6,540,078**	**3,009,299**	**1,916,632**	**1,614,147**

	2011			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	6,129,570	2,683,619	1,693,037	1,752,914
Current service cost	279,397	218,226	61,171	–
Interest cost	324,228	115,284	106,701	102,243
Amortization of actuarial loss	128,854	7,755	42,259	78,840
Benefits paid	(443,772)	(187,052)	(83,125)	(173,595)
Plan amendments	67,576	1,875	65,701	–
Balance – end of year	**6,485,853**	**2,839,707**	**1,885,744**	**1,760,402**

The continuity of the **plan asset** is as follows:

	2012			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	3,590,643	–	1,912,489	1,678,154
Contributions	112,456	–	97,950	14,506
Actual return on assets	338,985	–	219,516	119,469
Benefits paid	(261,602)	–	(94,160)	(167,442)
Balance – end of year	**3,780,482**	**–**	**2,135,795**	**1,644,687**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 *(all dollar amounts in thousands of dollars)*

	2011			
	Total	**Employment and post-employment**	**TTC Pension Plan**	**City Pension Plans**
	$	**$**	**$**	**$**
Balance – beginning of year	3,667,347	–	1,850,518	1,816,829
Contributions	106,681	–	92,055	14,626
Actual return on assets	73,335	–	53,041	20,294
Benefits paid	(256,720)	–	(83,125)	(173,595)
Balance – end of year	**3,590,643**	–	**1,912,489**	**1,678,154**

The reconciliation of the plan assets and accrued benefit obligation to the amounts in the statement of financial position is as follows:

	2012			
	Total	**Employment and post-employment**	**TTC Pension Plan**	**City Pension Plans**
	$	**$**	**$**	**$**
Accrued benefit obligation	6,507,870	2,977,091	1,916,632	1,614,147
Plan assets	3,780,482	–	2,135,795	1,644,687
Funding deficit (surplus)	2,727,388	2,977,091	(219,163)	(30,540)
Unamortized actuarial gains	32,208	32,208	–	–
Valuation allowance	276,397	–	219,163	57,234
Employee benefit liability	**3,035,993**	**3,009,299**	–	**26,694**

	2011			
	Total	**Employment and post-employment**	**TTC Pension Plan**	**City Pension Plans**
	$	**$**	**$**	**$**
Accrued benefit obligation	6,700,925	3,054,779	1,885,744	1,760,402
Plan assets	3,590,643	–	1,912,489	1,678,154
Funding deficit/(surplus)	3,110,282	3,054,779	(26,745)	82,248
Unamortized actuarial (losses)	(402,592)	(215,072)	(187,520)	–
Valuation allowance	68,477	–	26,745	41,732
Employee benefit liability/(asset)	**2,776,167**	**2,839,707**	**(187,520)**	**123,980**

December 31, 2012 (all dollar amounts in thousands of dollars)

The total expenses related to these employee benefits include the following components:

	2012			
	Total	**Employment and post-employment**	**TTC Pension Plan**	**City Pension Plans**
	$	**$**	**$**	**$**
Current service costs	303,834	239,349	64,485	–
Interest cost	109,270	103,842	1,153	4,275
Amortization of actuarial loss/(gain)	(75,516)	30,907	(3,866)	(102,557)
Plan amendments	27,634	(3,646)	31,280	–
Change in valuation allowance	207,920	–	192,418	15,502
Total expense	**573,142**	**370,452**	**285,470**	**(82,780)**

	2011			
	Total	**Employment and post-employment**	**TTC Pension Plan**	**City Pension Plans**
	$	**$**	**$**	**$**
Current service costs	279,397	218,226	61,171	–
Interest cost/(revenues)	106,489	115,284	(4,598)	(4,197)
Amortization of actuarial loss	209,585	7,755	36,844	164,986
Plan amendments	67,576	1,875	65,701	–
Change in valuation allowance	(182,104)	–	(130,736)	(51,368)
Total expense	**480,943**	**343,140**	**28,382**	**109,421**

a) Sick leave benefits, WSIB obligations, and other employment and post-employment benefits

Actuarial valuation reports were prepared for the valuation of post-retirement, post-employment, sick leave gratuity and self-insured Workplace Safety Insurance Board ("WSIB") benefit plans for the City, Toronto Police Services and the City's Agencies and Corporations as at December 31, 2012. The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations and benefit costs for these post-retirement and post-employment, and other retirement benefits are as follows:

	2012	**2011**
Discount rate for accrued benefit obligation:		
Post-employment	3.1%	3.1%
Post-retirement	3.8%	3.8%
Sick leave	3.5%	3.5%
WSIB	3.1%	3.1%
Rate of compensation increase	2.0% to 3.25%	3.0% to 3.75%
Health care inflation – LTD, hospital and other medical	6.8% to 10.0%	7.57% to 10.1%
Health care inflation – Dental care	3.4% to 10.0%	3.8% to 10.1%
Health care inflation – Drugs	6.8% to 14.4%	7.8% to 10.1%

December 31, 2012 (all dollar amounts in thousands of dollars)

	2012	2011
Discount rate for benefit costs:		
Post-employment	3.1%	4.0%
Post-retirement	3.8%	4.7%
Sick leave	3.5%	4.4%
WSIB	3.1%	4.0%
Rate of compensation increase	3.0% to 3.75%	3.0% to 3.5%
Health care inflation – LTD, hospital and other medical	7.57% to 10.1%	7.57% to 10.1%
Health care inflation – Dental care	3.8% to 10.1%	3.8% to 10.1%
Health care inflation – Drugs	7.8% to 10.1%	7.6% to 10.1%

For 2012 benefit costs and year end 2012 benefit obligation, the health care inflation rate for Long Term Disability (LTD), hospital, other medical, and drugs is assumed to reduce to 4.0% by 2020. The health care inflation rate for dental care is assumed to reduce to 3.0% by 2015.

i. Vested Sick Leave Benefit Liability

Under the sick leave benefit plan, employees are credited with a maximum of 18 days sick time per annum. Unused sick leave can accumulate and employees may become entitled to a cash payment, capped at one half (or 100% for former City of Toronto employees who retire) of unused sick time to a maximum of 130 days when they leave the City's employment. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could be taken in cash by employees on termination of employment. A Sick Leave Reserve Fund is established to help reduce the future impact of these obligations.

Effective March 1, 2008, a new short-term disability plan for all management and non-union employees (approximately 4,000) came into effect. Under the new plan, existing employees in this group, who had a vested payout entitlement (10 or more years of service), had their sick days and service frozen as of March 1, 2008 and are entitled to a future payout of this frozen entitlement upon termination based on the former municipality's policy provisions. Employees with less than 10 years of service as of March 1, 2008 had their days frozen and are not be entitled to a future payout. Instead, they can use these days to top up their short-term disability plan, if necessary. The new short-term disability plan does not have a cash payout provision and will help contain sick leave benefit liabilities over time.

In addition, effective July 31, 2009, the City ratified new collective agreements with TCEU Local 416 and CUPE Local 79, which provided for a new Illness or Injury Plan ("IIP") to replace the existing Sick Pay Plan ("SPP") for all employees hired after July 31, 2009. During 2009, all employees hired on or before the date of ratification who were in an SPP were provided with a one-time option to join the new IIP, effective January 1, 2010, and receive a partial payout of their sick credits or freeze their sick credits for a payout upon termination/retirement. As a result, 40% of this group of employees joined the IIP, reducing the City's sick leave liability.

As of December 31, 2012, the balance in the Sick Leave Reserve Fund is $26,519 (2011 - $14,289) and is included as part of Employee Benefits Reserve Fund (Note 18). Payments during the year amounted to $43,390 (2011 - $35,097).

ii. WSIB Obligations

The City is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for financing its workplace safety insurance costs. The accrued obligation represents the actuarial valuation of claims to be insured based on the history of claims with City employees. A Workers' Compensation Reserve Fund was established to help reduce the future impact of these obligations. As at December 31, 2012, the balance in the Workers' Compensation Reserve Fund is $8,481 (2011 - $12,090) and is included as part of the Employee Benefits Reserve Fund (Note 18). Payments during the year by the City to the WSIB amounted to $35,210 (2011 - $38,076).

iii. Other Employment and Post-Employment Benefits

The City provides health, dental, life insurance and long-term disability benefits to certain employees. The accrued liability represents the actuarial valuation of benefits to be paid based on the history of claims with City employees. An Employee Benefits Reserve Fund was established to help reduce the future impact of these obligations. As at December 31, 2012, the balance in the Employee Benefits Reserve Fund was $138,628 (2011 - $138,249) and is included as part of Employee Benefits Reserve Fund (Note 18). Payments during the year amounted to $51,618 (2011 - $55,093).

b) Pension benefits

i. OMERS Pension Plan

The City makes contributions to the Ontario Municipal Employees' Retirement System plan ("OMERS"), a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, the City does not recognize any share of the pension plan deficit of $8,603,000 (2011 - $9,627,000) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees. Employer contributions for current service amounted to $159,316 (2011 - $145,214) and were matched by employee contributions in a similar amount.

The amount contributed for past service to OMERS for the year ended December 31, 2012 was $499 (2011 - $835). Employer's contributions for current and past service are included as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus.

ii. TTC Pension Plan

The TTC participates in a joint defined benefit/defined contribution pension plan that covers substantially all of its employees. This pension plan is registered as a Jointly Sponsored Pension Plan (JSPP) effective January 1, 2011. The pension plan is operated by the Toronto Transit Commission Pension Fund Society (the "Society"), a separate legal entity. The Society provides pensions to members, based on the length of service and

December 31, 2012 (all dollar amounts in thousands of dollars)

average base year (pensionable) earnings. The Society also administers defined benefit supplemental plans designed to pay employees and executives the difference between their earned pension under the by-laws of the Society and the maximum allowable pension under the Income Tax Act (Canada). The City has accounted for its 50% portion of the plan in accordance with the standards for defined benefit plans.

Actuarial valuations of the pension plan are carried out each year, as at December 31, with the most recent valuation carried out on December 31, 2012. Plan assets are carried at market value. Since there is uncertainty about the TTC's right to the funded surplus, these amounts have not been reflected in the Consolidated Statement of Financial Position. As a result, the accrued benefit asset as at December 31, 2011 is comprised solely of unamortized actuarial losses.

The significant actuarial assumptions for the TTC Pension plan are as follows:

	2012	2011
Discount rate	5.75%	6.00%
Expected rate of return on plan assets	5.75%	6.00%
Rate of increase in salaries	3.75%	3.75%
Inflation rate	2.25%	2.25%
Assumptions for disclosure:		
Discount rate	5.75%	5.75%
Expected rate of return on plan assets	5.75%	5.75%
Rate of increase in salaries	3.50%	3.75%
Inflation rate	2.00%	2.25%

iii. City Sponsored Pension Plans

The City sponsors five defined benefit pension plans that provide benefits to employees who were employed prior to the establishment of the OMERS pension plan. The plans cover closed groups of employees hired prior to July 1, 1968 and provide for pensions based on length of service and final average earnings.

The plans provide increases in pensions to retirees and their spouses in accordance with the criteria set-out under the applicable by-laws. As at December 31, 2012, there were 5 (2011 – 7) active members with an average age of 68 (2011 – 66). There were also 4,099 (2011 – 4,323) pensioners and 2,724 (2011 – 2,814) spousal beneficiaries in receipt of a pension, with an average age of 79 (2011 – 79). Pension payments and refunds during the year were approximately $167,442 (2011 - $173,595).

Given that all remaining members in the Plan have over 35 years of service, there are no contributions being made into the Plans. The City made special payments of $14,600 into two of the Plans (Police and York) on account of solvency deficiencies.

Actuarial valuations for funding purposes for each of the five plans are carried out annually using the projected benefit method pro-rated on service. The most recent actuarial funding reports were prepared as at December 31, 2012. The accrued benefit obligation as at December 31, 2012 is based on actuarial valuations for accounting purposes as at December 31, 2012. The actuarial gains or losses in each of the five plans are accounted for in 2012.

December 31, 2012 (all dollar amounts in thousands of dollars)

The actuarial valuations were based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the City's best estimates. The inflation rate is estimated at 2.50% per annum (2011 –2.25% to 2.50%) and the rate of compensation increase is estimated at 3.50% per annum (2011 – 3.50%) for determining the accrued benefit obligation. The discount rates used to determine the December 31, 2012 accrued benefit obligation is 5.70% (2011 – 5.70%) and the discount rate used to determine the fiscal year 2012 benefit cost is 5.70% (2011 – 5.90% to 6.25%).

Pension plan assets are valued at market values. The expected rate of return on plan assets is 5.70% (2011 – 5.90% to 6.25%) per annum, net of all administrative expenses. The actual return on the market value of plan assets during the year was a gain of 7.50% (2011 – 2.30%). The pension plans hold the following mix of assets: Cash and equivalents 3.4%, Bonds and Fixed Income 47.0%, Canadian equities 22.4%, and Foreign equities 27.2%.

As at December 31, 2012 three plans (2011 – one plan), the Toronto Civic Employees Pension Plan, the Metropolitan Toronto Pension Plan and the Toronto Firefighters Pension Plan, are in a surplus position (shaded in the table below). Since there is uncertainty about the City's right to this accrued benefit asset, these amounts have not been reflected in the Consolidated Statement of Financial Position.

The other two plans (2011 – four plans), Metropolitan Toronto Police Pension Plan, and City of York Employee Pension Plan, are in a deficit position. The net actuarial deficits of these plans are included in employee benefit liabilities on the Consolidated Statement of Financial Position as at December 31 and include the following components:

	2012 Pension assets – market value – end of year	2012 Actuarial pension obligation – end of year	2012 Net actuarial surplus (deficit)	2011 Net actuarial surplus (deficit)
	$	$	$	$
Toronto Civic Employees Pension Plan	331,903	278,241	53,662	41,732
Metropolitan Toronto Pension Plan	504,744	504,301	443	(29,870)
Toronto Firefighters Pension Plan	238,542	235,413	3,129	(35,475)
Metropolitan Toronto Police Pension Plan	523,532	548,678	(25,146)	(53,695)
City of York Employee Pension Plan	45,966	47,514	(1,548)	(4,940)
Total of plans in deficit			**(26,694)**	**(123,980)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 *(all dollar amounts in thousands of dollars)*

15. Tangible capital assets

Tangible capital assets consist of the following:

	2012			2011
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
General				
Land	3,517,960	–	3,517,960	3,495,721
Land Improvements	668,115	325,317	342,798	322,188
Buildings and building improvements	6,406,635	2,350,119	4,056,516	4,008,688
Machinery and equipment	1,676,436	1,005,192	671,244	664,197
Motor vehicles	1,997,567	1,268,229	729,338	747,827
Total General	**14,266,713**	**4,948,857**	**9,317,856**	**9,238,621**
Infrastructure				
Land	138,118	–	138,118	137,676
Buildings and building improvements	473,056	131,373	341,683	258,969
Machinery and equipment	1,657,824	875,508	782,316	660,399
Water and wastewater linear	5,182,606	1,941,381	3,241,225	3,229,578
Roads linear	4,005,866	1,879,534	2,126,332	2,120,359
Transit	5,665,468	3,399,597	2,265,871	2,082,333
Total Infrastructure	**17,122,938**	**8,227,393**	**8,895,545**	**8,489,314**
Assets under construction	**3,896,892**	–	**3,896,892**	**2,971,227**
Total	**35,286,543**	**13,176,250**	**22,110,293**	**20,699,162**

General capital assets include those assets which are not part of a network. Land includes all of the City's land except land under the roads. Land improvements include outdoor parks and recreation facilities, land improvements around buildings, and the active landfill site. Buildings include office buildings, community centres, police, fire and ambulance stations, TCHC housing units and transit buildings. Machinery and equipment includes equipment used by Fire and Emergency Medical Services as well as computers and furniture. Corporate fleet and transit buses make up the vehicle assets.

Infrastructure assets are described as those capital assets which are part of one of three networks: roads, water/wastewater, and transit. The land within this category is the value of the land under the City's roads. Water and wastewater treatment plants, pumping stations, and storm facilities are included within infrastructure buildings and building improvements. Machinery and equipment include expressway signs and traffic signals, as well as equipment within the water and wastewater treatment plants and pumping stations related to the relevant processes. Water and wastewater infrastructure include the pipe networks which deliver the water and which remove the waste water. Road networks are inclusive of the road bases, surfaces and sidewalks. Transit infrastructure includes assets related to the subway system, rolling stock, track work and power distribution.

General machinery and equipment includes capital leases totaling $12,239 (2011 - $13,679).

December 31, 2012 (all dollar amounts in thousands of dollars)

Contributed (Donated) Tangible Capital Assets

Contributed tangible capital assets are recognized at fair market value at the date of contribution. Contributed assets received during the year were valued at $6,611 (2011 – $10,661) for land, and $28,595 (2011 – $0) of land improvements.

Tangible Capital Assets Recognized at Nominal Value

Tangible capital assets are recognized at nominal value whenever fair value cannot be determined. Land is the only capital asset category which includes nominal values and these are primarily for small parcels of land such as reserve strips and walkways.

Works of Art and Historical Treasures

The City of Toronto owns both works of art and historical treasures at various City owned facilities such as Casa Loma, Old City Hall, and its museums, such as Fort York. The City of Toronto maintains and preserves these assets because of their historical and cultural significance. These assets are not recorded as tangible capital assets and are not amortized.

Impairment of Tangible Capital Assets

Capital asset condition and state of good repair reviews are conducted on regular basis to assess potential impairments. Minor impairments are addressed through the capital plans. Any capital assets which are significantly impaired are written down by the value of the impairment.

Additional information on the City's tangible capital assets is provided in Schedule 1.

16. Inventories and Prepaid Expenses

	2012	2011
Prepaid Expenses	93,669	78,049
Inventories	138,327	179,656
Inventories of Surplus Property	67,812	73,827
	299,808	**331,532**

17. Commitments and contingencies

a) The City is subject to various litigation and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts. Any amendment to amounts accrued will be recorded once new information becomes available.

b) Exposures on property, liability, and accident claims are covered by a combination of self-insurance and coverage with insurance carriers. Provisions for property, liability and accident claims are recorded in other liabilities (Note 10) on the Consolidated Statement of Financial Position in the aggregate amount of $496,171 (2011 - $454,054).

c) On December 21, 2006, a contract was awarded by the TTC for the purchase of 234 subway cars or 39 train sets. In May 2010, the TTC approved purchasing an additional 10 subway trainsets for the Toronto-York Spadina Subway line extension and 21 replacement trainsets for the total contract cost of $1,145,600. At December 31, 2012, 28 trainsets had been delivered at a cost of $960,400, which is included in assets under construction. The outstanding commitment as at December 31, 2012 is $185,200.

d) On June 26, 2009, a contract was awarded by the TTC for the design and supply of 204 Light Rail Vehicles ("LRVs") at a total contract cost of $992,600. As at December 31, 2012, the TTC had incurred costs of $396,600, which is included in assets under construction. The delivery of LRV's has been rescheduled to 2013 with all 204 cars to be delivered by 2018. At December 31, 2012, the outstanding commitment is $596,000.

e) On January 17, 2012, a contract was awarded by the TTC for purchase of 27 60-foot Articulated Low Floor Clean Diesel Buses at a total contract cost of $24,400 for delivery in 2013.

f) At December 31, 2012, the TTC has other various capital project contractual commitments of $1,375,600 (2011 – $1,353,600). Of this amount, contractual commitments of $924,900 (2011 – $1,048,200) relate to the Toronto York Spadina Subway Extension project, $51,800 relate to the Toronto Water Front project and $398,900 relate to various TTC construction projects.

g) The TTC has a provision for environmental costs of $15,275 (2011 – $13,400) to cover estimated costs of remediating sites with known contamination for which the TTC is responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, actual costs may vary. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Provisions for environmental costs are recorded in other liabilities (Note 10) on the Consolidated Statement of Financial Position.

h) Build Toronto has environmental provision costs of $26,845 (2011 – $20,010) to cover estimated costs based on third-party engineering reports of the likely cost to remediate or mitigate current known site conditions. Costs are assessed on a site by site basis and range from full removal of historical fills to risk assessment and management measures to reduce remedial requirements. Provisions for environmental costs are recorded in other liabilities (Note 10) on the Consolidated Statement of Financial Position.

December 31, 2012 (all dollar amounts in thousands of dollars)

i) The Ministry of the Environment has issued Certificates of Approval for 29 (2011 – 29) of the identified 160 (2011 – 160) inactive landfill sites. Applications for Certificates of Approval at other inactive sites may be required prior to the commencement of any remediation work. It is not possible to quantify the effect, if any, of this request on these consolidated financial statements beyond those amounts recorded as landfill closure and post-closure liabilities (Note 11).

j) Council has approved the Policy for the Provision of Line of Credit and Loan Guarantees for Cultural and Community-Based Organizations that have a financial relationship with the City. The total amount of all line of credits provided by the City under the policy for operating line of credit guarantees is limited to $10,000 in the aggregate. The total amount of all capital loan guarantees provided by the City under the policy for capital loan guarantees is limited to $300,000 in the aggregate, with individual loan guarantees being limited to a maximum of $10,000. The total amount of all direct loans provided by the City under the policy for direct City loans is limited to $125,000 in the aggregate. At December 31, 2012 the City had provided capital loan guarantees to certain third parties amounting to $75,174 (2011 – $64,450), and operating loan and line of credit guarantees of $4,000 (2011 – $4,300), primarily related to several cultural non-profit organizations.

k) At December 31, 2012, the City is committed to future minimum annual operating lease payments for premises and equipment as follows:

	$
2013	53,214
2014	42,011
2015	36,584
2016	26,953
2017	21,626
Thereafter	60,545
	240,933

December 31, 2012 (all dollar amounts in thousands of dollars)

18. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2012	2011 (Restated)
	$	$
Invested in tangible capital assets (Note 15)	22,110,293	20,699,162
Operating fund	2,919,253	2,578,673
Capital fund	(672,698)	(786,582)
Reserves and reserve funds	1,715,128	1,365,006
	26,071,976	23,856,259
Amounts to be recovered from future revenues:		
Mortgages (Note 12)	(732,225)	(773,590)
Net long-term debt (Note 13)	(3,699,256)	(3,264,220)
Recoverable from TDSB (Note 13)	26,371	30,190
Landfill closure and post-closure liabilities (Note 11)	(124,182)	(121,440)
Employee benefits (Note 14)	(3,035,993)	(2,776,167)
Other	(341,625)	(309,621)
	(7,906,910)	(7,214,848)
	18,165,066	**16,641,411**

Reserves and reserve funds consist of the following:

	2012	2011 (Restated)
Reserves:	$	$
Corporate	614,422	288,761
Stabilization	127,615	174,811
Water and Wastewater	80,816	31,516
Donations	1,079	1,363
Community Initiatives	23	23
	823,955	496,474
Reserve Funds:		
Employee Benefits (Note 14)	173,627	164,627
Corporate	451,898	460,456
Community Initiatives	97,034	105,232
State of Good Repair	168,614	138,217
	891,173	868,532
Total Reserves and Reserve Funds	**1,715,128**	**1,365,006**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 *(all dollar amounts in thousands of dollars)*

19. Budget Data

Budget data presented in these consolidated financial statements are based upon the 2012 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The following chart reconciles the approved budget with the budget figures as presented in these consolidated statements.

	Budget Amount $
Revenue	
Approved budgets:	
Operating	9,603,062
Capital	2,937,433
Reserve	37,925
	12,578,420
Adjustments:	
Proceeds on debt issue	(955,235)
Total revenue	**11,623,185**
Expenses	
Approved budgets:	
Operating	9,991,091
Capital	3,520,718
	13,511,809
Adjustments:	
Tangible Capital Assets (TCA)	(2,837,989)
Amortization	802,035
Debt principal repayments	(213,859)
Total expenses	**11,261,996**
Annual surplus	**361,189**

December 31, 2012 (all dollar amounts in thousands of dollars)

20. Funding Transfers from Other Governments

(a) By Function	2012	2011
	$	$
General government	120,314	144,222
Protection to persons & property	35,843	44,184
Transportation	763,065	633,139
Environmental services	43,357	63,437
Health services	268,791	266,485
Social and family services	1,480,970	1,500,083
Social Housing	315,578	416,169
Recreation and cultural services	12,622	35,277
Planning and development	13,678	45,355
Total	**3,054,218**	**3,148,351**

(b) By Government Entity	2012	2011
	$	$
Operating Transfers		
Federal	186,538	200,158
Provincial	2,044,041	2,117,092
Other	7,350	60,007
	2,237,929	2,377,257
Capital Transfers		
Federal	255,539	329,693
Provincial	522,330	420,643
Other	38,420	20,758
	816,289	771,094
Total	**3,054,218**	**3,148,351**

21. Expenses by Object

Expenses by object comprise the following:

	2012	2011 (Restated)
	$	$
Salaries, wages and benefits	5,069,438	5,053,750
Materials	803,795	1,003,283
Contracted services	1,411,269	1,458,019
Interest on long-term debt	287,990	267,240
Transfer payments	1,592,920	1,660,359
Amortization (Schedule 1)	801,845	814,522
Other	309,493	307,637
	10,276,750	**10,564,810**

22. Segmented Information

The City provides a wide range of services to its citizens. Certain services are delivered on behalf of another level of government, a number of services are cost shared, and some services are fully funded by the municipality. Services are delivered through a number of different agencies, corporations, and divisions, with certain services delivered directly, while others may be fully or partially contracted through other organizations.

For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment, as well as amounts that are allocated to the segment on a reasonable basis. The accounting policies used in the segments are consistent with the accounting policies followed in the preparation of these consolidated financial statements as disclosed in Note 1.

The segmented information is provided in Appendices 2 to 4 of the consolidated financial statements.

Appendix 2 includes the following segments:

- **General government** is comprised of Council, administration and amounts paid to the Municipal Property Assessment Corporation. These groups are responsible for bylaws and administrative policies, levying taxes, acquiring and managing City assets, ensuring effective financial management, planning and budgeting, monitoring financial and operating performance, and ensuring that high quality City service standards are met.
- **Protection to persons and property** is comprised of police, fire and other protective services such as By-law Enforcement, Animal Control, Vehicle and Business Licensing, Security and Provincial Offences. These groups maintain the safety and security of all citizens by reducing or eliminating loss of life and property, maintaining law enforcements, and preserving peace and good order.
- **Transportation** includes transit, roads, traffic and parking services. Transit services provide local public transportation for all citizens within the City of Toronto. Other transportation services provide planning, development, and maintenance of roads, traffic operations, parking, winter control and street lighting.
- **Environmental services** include water supply and distribution, wastewater treatment, and waste and recycling services. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.
- **Health services** include paramedic and mandated health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.
- **Social and family services** include social assistance, long-term care and child care services. Social assistance services determine, issue, and monitor clients' eligibility for financial, social, and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Child care services provide subsidized child care spaces and provide funding for wage subsidy, pay equity, and special needs.
- **Social housing** provides a range of services including high-quality housing for low and moderate income tenants, emergency shelters, outreach, search, and stabilization to people in the community.
- **Recreation and cultural services** include parks services, recreational programs, recreation facilities, golf courses, libraries, museums and other cultural services and activities. Parks and recreation services develop and deliver high-quality recreational programs, and develop and maintain recreational facilities, parks and

December 31, 2012 (all dollar amounts in thousands of dollars)

sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Cultural services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile, virtual and telephone services.

- **Planning and development** manages urban development for residential and business interests as well as infrastructure. It includes planning and zoning, commercial and industrial developments and forestry.

Appendix 3 and 4 reflect disclosure by entity which are significant agencies and corporations for the City of Toronto.

23. Trust Funds

Trust funds administered by the City amounting to $27,549 (2011 – $26,888) have not been included on the Consolidated Statement of Financial Position nor have their operations been included in the Statement of Operations and Accumulated Surplus. Trust fund balances as at December 31 are as follows:

	2012	2011
	$	$
Keele Valley Site Post-Closure Trust Fund (Note 11)	7,467	7,444
Homes for the Aged Trust Fund – Residents	6,178	6,160
Community Centre Development Levy Trust Fund – Railway Lands	4,792	4,435
Library Development Levy Trust Fund – Railway Lands	3,416	3,184
Community Services Levies Trust Fund	1,193	1,179
Contract Aftercare Trust Fund	1,074	1,065
Waterpark Place Trust Fund	1,064	1,053
Music Garden Trust Fund	611	-
Development Charges Trust Fund – Queen's Quay	533	527
Heritage and Culture Trust Funds	397	392
Lakeshore Pedestrian Bridge Trust Fund	245	242
Children's Greenhouse Trust Fund – Allan Gardens	111	110
Green Lane Small Claims Trust Fund	107	106
Preservation Trust Fund	50	50
Hugh Clydesdale Trust Fund	45	50
Michael Sansone Trust Fund	43	43
Eastview Neighbourhood Trust Fund	42	54
Candidates' Municipal Election Surpluses Trust Fund	28	28
Tenant Displacement Trust Fund	27	27
Police Trust Funds	23	34
Ontario Home Renewal Project	22	22
90 Lisgar Street Trust Fund	20	607
Other trust funds	61	76
	27,549	**26,888**

24. Comparative Consolidated Financial Statements

The comparative consolidated financial statements have been regrouped from statements previously presented to conform with the presentation adopted in 2012.

25. Subsequent Event

On June 13, 2013, the Provincial Minister of Finance wrote to the City advising that the $170,171 loan payable to the province will be remitted over a three-year period, from 2014 to 2016. The remission of principal and interest will be equal to reductions in the Toronto Pooling Compensation of $42,500, $85,600, and $103,200 in 2014, 2015 and 2016 respectively.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2012

(all dollar amounts in thousands of dollars)

2012

	Cost 2012					Accumulated Amortization 2012				Net Book Value 2012
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,495,721	39,380	(23,752)	6,611	3,517,960	–	–	–	–	3,517,960
Land Improvements	627,924	23,207	(11,611)	28,595	668,115	305,736	20,346	(765)	325,317	342,798
Buildings and building improvements	6,169,364	256,873	(19,602)	–	6,406,635	2,160,676	195,951	(6,508)	2,350,119	4,056,516
Machinery and equipment	1,578,586	150,215	(52,365)	–	1,676,436	914,389	140,957	(50,154)	1,005,192	671,244
Vehicles	1,956,927	94,683	(54,043)	–	1,997,567	1,209,100	110,989	(51,860)	1,268,229	729,338
Total General	**13,828,522**	**564,358**	**(161,373)**	**35,206**	**14,266,713**	**4,589,901**	**468,243**	**(109,287)**	**4,948,857**	**9,317,856**
Infrastructure										
Land	137,676	442	–	–	138,118	–	–	–	–	138,118
Buildings and building improvements	384,794	88,262	–	–	473,056	125,825	5,548	–	131,373	341,683
Machinery and equipment	1,493,362	164,462	–	–	1,657,824	832,963	42,545	–	875,508	782,316
Water and wastewater linear	5,110,148	74,071	(1,613)	–	5,182,606	1,880,570	61,974	(1,163)	1,941,381	3,241,225
Roads linear	3,929,635	97,152	(20,921)	–	4,005,866	1,809,276	88,072	(17,814)	1,879,534	2,126,332
Transit	5,388,230	319,000	(41,762)	–	5,665,468	3,305,897	135,463	(41,763)	3,399,597	2,265,871
Total infrastructure	**16,443,845**	**743,389**	**(64,296)**	**–**	**17,122,938**	**7,954,531**	**333,602**	**(60,740)**	**8,227,393**	**8,895,545**
Assets under construction	**2,971,227**	**1,251,962**	**(326,297)**	**–**	**3,896,892**	**–**	**–**	**–**	**–**	**3,896,892**
TOTAL	**33,243,594**	**2,559,709**	**(551,966)**	**35,206**	**35,286,543**	**12,544,432**	**801,845**	**(170,027)**	**13,176,250**	**22,110,293**

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2011

(all dollar amounts in thousands of dollars)

2011 (Restated)

	Cost 2011					Accumulated Amortization 2011				Net Book Value 2011
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,538,445	25,863	(79,143)	10,556	3,495,721	–	–	–	–	3,495,721
Land Improvements	614,863	24,532	(11,576)	105	627,924	289,364	19,015	(2,643)	305,736	322,188
Buildings and building improvements	5,825,861	489,636	(146,133)	–	6,169,364	1,990,681	189,021	(19,026)	2,160,676	4,008,688
Machinery and equipment	1,399,909	230,991	(52,314)	–	1,578,586	824,615	134,481	(44,707)	914,389	664,197
Vehicles	1,932,757	71,333	(47,163)	–	1,956,927	1,130,439	124,185	(45,524)	1,209,100	747,827
Total General	**13,311,835**	**842,355**	**(336,329)**	**10,661**	**13,828,522**	**4,235,099**	**466,702**	**(111,900)**	**4,589,901**	**9,238,621**
Infrastructure										
Land	137,676	–	–	–	137,676	–	–	–	–	137,676
Buildings and building improvements	365,650	19,144	–	–	384,794	120,988	4,837	–	125,825	258,969
Machinery and equipment	1,376,525	124,911	(8,074)	–	1,493,362	802,028	37,460	(6,525)	832,963	660,399
Water and wastewater linear	4,999,822	141,584	(31,258)	–	5,110,148	1,833,170	60,473	(13,073)	1,880,570	3,229,578
Roads linear	3,820,548	137,121	(28,034)	–	3,929,635	1,744,993	86,521	(22,238)	1,809,276	2,120,359
Transit	5,087,432	304,366	(3,568)	–	5,388,230	3,150,936	158,529	(3,568)	3,305,897	2,082,333
Total infrastructure	**15,787,653**	**727,126**	**(70,934)**	**–**	**16,443,845**	**7,652,115**	**347,820**	**(45,404)**	**7,954,531**	**8,489,314**
Assets under construction	**2,417,129**	**848,628**	**(294,530)**	**–**	**2,971,227**	**–**	**–**	**–**	**–**	**2,971,227**
TOTAL	**31,516,617**	**2,418,109**	**(701,793)**	**10,661**	**33,243,594**	**11,887,214**	**814,522**	**(157,304)**	**12,544,432**	**20,699,162**

SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES – APPENDIX 1

As at and for the year ended December 31, 2012
(all dollar amounts in thousands of dollars)

Condensed Financial Results ($) Fiscal Year Ended	Toronto Hydro Corporation December 31		Toronto Parking Authority December 31		Enwave October 31		Toronto Port Lands Company December 31		Total	
	2012	2011	2012	2011	2012 (Note 6)	2011	2012	2011	2012	2011
Financial Position										
Assets										
Current	549,875	656,278	29,903	24,784	–	38,193	44,676	33,213	624,454	752,468
Capital	2,738,609	2,399,497	138,321	138,872	–	307,486	337,584	341,258	3,214,514	3,187,113
Other	165,190	400,002	81,874	70,926	–	24,670	–	152,956	247,064	648,554
	3,453,674	**3,455,777**	**250,098**	**234,582**	–	**370,349**	**382,260**	**527,427**	**4,086,032**	**4,588,135**
Liabilities										
Current	950,442	448,061	32,773	23,125	–	16,776	8,468	8,944	991,683	496,906
Long-term	1,274,076	1,905,468	10,032	6,736	–	222,027	8,538	149,049	1,292,646	2,283,280
	2,224,518	**2,353,529**	**42,805**	**29,861**	–	**238,803**	**17,006**	**157,993**	**2,284,329**	**2,780,186**
Net equity	**1,229,156**	**1,102,248**	**207,293**	**204,721**	–	**131,546**	**365,254**	**369,434**	**1,801,703**	**1,807,949**
City's share (Note 6)	**1,202,707**	**1,074,183**	**207,293**	**204,721**	–	**67,755**	**365,254**	**369,434**	**1,775,254**	**1,716,093**
Results of Operations										
Revenues	2,866,323	2,813,143	132,168	126,547	76,981	83,180	46,203	37,638	3,121,675	3,060,508
Expenses	2,788,651	2,717,211	73,983	69,475	71,899	73,903	6,579	30,996	2,941,112	2,891,585
Net income (loss)	**77,672**	**95,932**	**58,185**	**57,072**	**5,082**	**9,277**	**39,624**	**6,642**	**180,563**	**168,923**
City's share (Note 6)	**77,672**	**95,932**	**58,185**	**57,072**	**2,186**	**3,991**	**39,624**	**6,642**	**177,667**	**163,637**
Distribution to City (Note 6)	–	–	55,613	42,749	–	–	3,804	–	59,417	42,749
Dividends paid to City (Note 6)	47,966	33,063	–	–	–	–	40,000	–	87,966	33,063
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 6)	26,449	28,065	–	–	–	–	–	–	26,449	28,065
Net book value of assets transferred from Enwave to the City (Note 6)	–	–	–	–	–	35,003	–	–	–	35,003

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – 2012 – APPENDIX 2*

for the year ended December 31, 2012
(all dollar amounts in thousands of dollars)

	2012									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	4,206,723	–	–	–	–	–	–	–	–	4,206,723
User charges	46,155	165,433	1,160,143	1,162,289	1,507	52,136	15,882	173,275	20,835	2,797,655
Government transfers	120,314	35,843	763,065	43,357	268,791	1,480,970	315,578	12,622	13,678	3,054,218
Net GBE income	180,097	–	–	–	–	–	–	–	–	180,097
Gain on sale of Enwave	96,611	–	–	–	–	–	–	–	–	96,611
Other	432,894	44,033	345,413	(92,988)	3,519	25,068	390,095	121,745	98,120	1,367,899
TOTAL REVENUES	**5,082,794**	**245,309**	**2,268,621**	**1,112,658**	**273,817**	**1,558,174**	**721,555**	**307,642**	**132,633**	**11,703,203**
Salaries, wages and benefits	325,437	1,393,591	1,603,217	239,631	314,170	542,964	111,904	495,343	43,181	5,069,438
Materials	252,491	24,858	253,613	111,941	16,449	49,825	17,049	82,369	(4,800)	803,795
Contracted services	169,808	24,948	363,972	191,311	40,295	320,354	169,085	109,850	21,646	1,411,269
Interest on long-term debt	9,755	11,303	151,151	12,462	724	4,817	69,783	20,235	7,760	287,990
Transfer payments	(29,082)	47,843	43,149	123,557	19,899	1,065,498	254,099	61,647	6,310	1,592,920
Other	74,274	13,858	31,081	7,408	2,461	16,260	103,430	38,787	21,934	309,493
Amortization	71,206	42,046	381,991	124,549	3,212	178	124,676	53,485	502	801,845
TOTAL EXPENSES	**873,889**	**1,558,447**	**2,828,174**	**810,859**	**397,210**	**1,999,896**	**850,026**	**861,716**	**96,533**	**10,276,750**
ANNUAL SURPLUS/ (DEFICIENCY)	**4,208,905**	**(1,313,138)**	**(559,553)**	**301,799**	**(123,393)**	**(441,722)**	**(128,471)**	**(554,074)**	**36,100**	**1,426,453**

***Definition of Segments by Service provided in Note 22 – Segmented Information.**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – 2011 – APPENDIX 2*

for the year ended December 31, 2011
(all dollar amounts in thousands of dollars)

	2011 (Restated)									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	4,006,029	–	–	–	–	–	–	–	–	4,006,029
User charges	40,992	169,627	1,097,504	1,052,821	1,513	51,896	17,240	158,695	25,354	2,615,642
Government transfers	144,222	44,184	633,139	63,437	266,485	1,500,083	416,169	35,277	45,355	3,148,351
Net GBE income	188,041	–	–	–	–	–	–	–	–	188,041
Other	308,084	51,837	373,859	60,846	4,025	26,820	320,478	129,808	58,225	1,333,982
TOTAL REVENUES	**4,687,368**	**265,648**	**2,104,502**	**1,177,104**	**272,023**	**1,578,799**	**753,887**	**323,780**	**128,934**	**11,292,045**
Salaries, wages and benefits	397,624	1,506,641	1,300,420	262,747	318,754	554,630	120,955	536,708	55,271	5,053,750
Materials	370,962	18,583	324,554	144,405	18,352	58,348	16,593	76,517	(25,031)	1,003,283
Contracted services	195,047	19,812	424,372	193,838	42,178	239,527	155,618	106,059	81,568	1,458,019
Interest on long-term debt	9,680	9,118	139,199	8,606	747	3,186	72,875	17,213	6,616	267,240
Transfer payments	255,635	19,450	57,437	21,630	141	1,131,004	143,789	31,746	(473)	1,660,359
Other	(107,127)	47,039	(7,640)	86,146	15,000	45,797	175,917	27,725	24,780	307,637
Amortization	71,665	46,972	403,918	116,716	4,035	178	118,830	51,303	905	814,522
TOTAL EXPENSES	**1,193,486**	**1,667,615**	**2,642,260**	**834,088**	**399,207**	**2,032,670**	**804,577**	**847,271**	**143,636**	**10,564,810**
ANNUAL SURPLUS/ (DEFICIENCY)	**3,493,882**	**(1,401,967)**	**(537,758)**	**343,016**	**(127,184)**	**(453,871)**	**(50,690)**	**(523,491)**	**(14,702)**	**727,235**

***Definition of Segments by Service provided in Note 22 – Segmented Information.**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2012
(all dollar amounts in thousands of dollars)

2012

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies, Boards and Commissions	TOTAL
Taxation	4,206,723	–	–	–	–	–	4,206,723
User charges	1,652,324	6,723	1,023,423	4,832	15,882	94,471	2,797,655
Government transfers	2,236,820	35,155	761,589	3,240	–	17,414	3,054,218
Net GBE income	180,097	–	–	–	–	–	180,097
Gain on sale of Enwave	96,611	–	–	–	–	–	96,611
Other	661,709	21,241	182,344	13,554	379,614	109,437	1,367,899
TOTAL REVENUES	**9,034,284**	**63,119**	**1,967,356**	**21,626**	**395,496**	**221,322**	**11,703,203**
Salaries, wages and benefits	2,330,000	970,571	1,439,464	133,140	111,904	84,359	5,069,438
Materials	614,878	10,396	129,370	(1,383)	17,049	33,485	803,795
Contracted services	985,296	16,639	179,310	20,046	169,085	40,893	1,411,269
Interest on long–term debt **	208,897	9,310	–	–	69,783	–	287,990
Transfer payments	2,491,478	4,914	(436,263)	(156,422)	(267,511)	(43,276)	1,592,920
Other	116,072	3,790	39,434	2,497	103,430	44,270	309,493
Amortization	315,833	35,614	289,159	29,069	124,676	7,494	801,845
TOTAL EXPENSES	**7,062,454**	**1,051,234**	**1,640,474**	**26,947**	**328,416**	**167,225**	**10,276,750**
ANNUAL SURPLUS/ (DEFICIENCY)	**1,971,830**	**(988,115)**	**326,882**	**(5,321)**	**67,080**	**54,097**	**1,426,453**

** As at December 31, the City has issued $2,470,165 in debentures for capital expenditures made on behalf of the TTC (2011: $2,124,391). Included in interest on long-term debt is $ 114,234 related to this debt.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2011
(all dollar amounts in thousands of dollars)

2011 (Restated)

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies, Boards and Commissions	TOTAL
Taxation	4,006,029	–	–	–	–	–	4,006,029
User charges	1,522,621	7,333	976,015	4,182	17,240	88,251	2,615,642
Government transfers	376,555	42,824	2,055,768	203,347	382,481	87,376	3,148,351
Net GBE income	188,041	–	–	–	–	–	188,041
Other	645,803	36,014	213,554	17,827	318,390	102,394	1,333,982
TOTAL REVENUES	**6,739,049**	**86,171**	**3,245,337**	**225,356**	**718,111**	**278,021**	**11,292,045**
Salaries, wages and benefits	2,538,998	1,012,872	1,123,418	154,226	117,727	106,509	5,053,750
Materials	746,493	2,456	228,193	28,202	15,961	(18,022)	1,003,283
Contracted services	937,026	12,446	225,127	211	155,618	127,591	1,458,019
Interest on long-term debt **	183,964	8,423	–	–	72,875	1,978	267,240
Transfer payments	2,714,659	205	(448,283)	(177,638)	(410,606)	(17,978)	1,660,359
Other	105,285	12,543	(9,126)	–	175,917	23,018	307,637
Amortization	305,114	40,315	312,996	28,661	118,830	8,606	814,522
TOTAL EXPENSES	**7,531,539**	**1,089,260**	**1,432,325**	**33,662**	**246,322**	**231,702**	**10,564,810**
ANNUAL SURPLUS/ (DEFICIENCY)	**(792,490)**	**(1,003,089)**	**1,813,012**	**191,694**	**471,789**	**46,319**	**727,235**

** As at December 31, the City has issued $2,124,391 in debentures for capital expenditures made on behalf of the TTC (2010: $1,806,229). Included in interest on long-term debt is $103,327 related to this debt.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – TANGIBLE CAPITAL ASSETS BY ENTITY – APPENDIX 4

for the year ended December 31, 2012
(all dollar amounts in thousands of dollars)

2012 and 2011

	City, including Police Services	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Public Library	Other Agencies, and Corporations	TOTAL
2012						
General						
Cost	6,678,860	3,611,118	3,420,935	374,590	181,210	14,266,713
Accumulated amortization	1,719,436	1,957,932	1,069,241	147,484	54,765	4,948,858
Net Book Value	**4,959,424**	**1,653,186**	**2,351,694**	**227,106**	**126,445**	**9,317,855**
Infrastructure						
Cost	11,457,470	5,665,468	–	–	–	17,122,938
Accumulated amortization	4,827,795	3,399,597	–	–	–	8,227,392
Net Book Value	**6,629,675**	**2,265,871**	–	–	–	**8,895,546**
Assets under construction	**1,151,060**	**2,541,161**	115,590	16,708	72,373	**3,896,892**
Total	12,740,159	6,460,218	2,467,284	243,814	198,818	22,110,293
2011 (Restated)						
General						
Cost	6,571,149	3,457,604	3,235,430	369,417	194,922	13,828,522
Accumulated amortization	1,629,245	1,824,296	944,828	143,957	47,575	4,589,901
Net Book Value	**4,941,904**	**1,633,308**	**2,290,602**	**225,460**	**147,347**	**9,238,621**
Infrastructure						
Cost	11,055,615	5,388,230	–	–	–	16,443,845
Accumulated amortization	4,648,634	3,305,897	–	–	–	7,954,531
Net Book Value	**6,406,981**	**2,082,333**	–	–	–	**8,489,314**
Assets under construction	**958,569**	**1,799,424**	135,199	7,898	70,137	**2,971,227**
Total	12,307,454	5,515,065	2,425,801	233,358	217,484	20,699,162

GLOSSARY

Accrued Benefit Obligation: see Employee Benefits Liability – Gross.

Accrued Benefit Liability: see Employee Benefits Liability – Net.

Accrual Accounting: the accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay. This is also known as the full accrual basis of accounting. Prior to 2009, municipal governments did not capitalize tangible capital assets and recorded them as expenditures. This was the only exception to the accrual basis of accounting and therefore municipal accounting was previously referred to as the modified accrual basis of accounting.

Accumulated amortization: the sum of all amortization expensed on a given asset or asset class to-date.

Accumulated surplus: the difference between the City's financial and non-financial assets and its liabilities. The accumulated surplus represents the net financial and physical assets / resources available to provide future services. It is the sum of amounts invested in: tangible capital assets; the operating, capital, reserve and reserve funds; net of amounts to be recovered from future revenues.

Agencies and Corporations: The City's agencies, boards and corporations are referred to as agencies and corporations.

Amortization expense: annual charge to expense to represent allocation of an asset's cost over its useful life.

Amounts to be recovered: the sum of items that have not been included in previous budgets and that will be recovered from future rates or taxes. Amounts to be recovered consist of outstanding debt, unfunded future employment costs, unfunded landfill post-closure costs, as well as unfunded environmental, property and liability claims.

Bankers Acceptance (BA): A short-term debt instrument that is guaranteed by a commercial bank.

BOG: the Board of Governors of Exhibition Place

Budget - operating: an outline of the government's operating revenue and expense plan for the upcoming year. The Operating Budget is formally presented early each year, and is subject to public consultation and debate prior to approval. Separate operating budgets are prepared for the tax supported and each of the rate supported areas. The Operating Budget sets out the amount of taxes to be collected for the year, as well as fees to be charged and authorized expenses.

Budget - capital: an outline of the government's capital revenue and expense plans for the upcoming year. Certain capital projects are budgeted on a life-to-date basis.

Business Improvement Area (BIA): A Business Improvement Area is an association of commercial property owners and tenants within a defined area who work in partnership with the City to create thriving, competitive, and safe business areas that attract shoppers, diners, tourists, and new businesses.

CICA: the Canadian Institute of Chartered Accountants. The CICA conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government.

City of Toronto Act, 2006: an Ontario Statute that outlines the broad permissive powers of the City of Toronto to pass by-laws that range from public safety, to the City's economic, social and environmental well being.

Consolidated statements: financial statements which include all of the entities controlled by the City.

Consolidation: inclusion of all entities controlled by the City, except for those which qualify as government business enterprises, on a line-by-line basis in the City's financial statements.

Contingent Liabilities: possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty. The uncertainty will ultimately be resolved when one or more future events not wholly within the government's control occur or fail to occur. Resolution of the uncertainty will confirm the incurrence or non-incurrence of a liability.

Contra-account: an account in the financial records that offsets or reduces the balance of a related account. For example, Accumulated Amortization of an asset class is contra to the Tangible Capital Asset account for that same class.

Contractual Obligations: obligations of a government to others that will become liabilities when the terms of a contract or agreement are met.

CVA: Under Current Value Assessment a property is assessed for tax purposes at the price that it would be expected to sell for by a willing seller to a willing buyer at the assessment date.

Debenture: a debt instrument where the issuer promises to pay interest and repay the principal by the maturity date. It is unsecured, meaning there is no lien on any specific asset.

Debt: a financial obligation to another entity from borrowing money.

Deferred revenue: amounts received regarding obligatory reserve funds or funds with other internal or external restrictions, which have remained unspent at year end. These amounts are shown with liabilities and are recognized in revenue when the revenues are earned, which may include spending the monies for their intended purpose.

Deficit: the amount, if any, by which government expenses exceed revenues in any given year. Unlike the senior levels of government, municipalities cannot budget to run a deficit.

Derivatives: financial contracts that derive their value from other underlying instruments. TCHC has used a derivative to hedge interest costs.

Employee Benefits Liability - Gross: the present value of the expected payouts for benefits which employees have earned at year end. This amount is calculated by the City's actuaries every three years, and updated based on actual data between valuations.

Employee Benefits Liability - Net: the amount recorded in the Statement of Financial Position representing the present value of the expected payouts for benefits which employees have earned at year end, after allowing for the required smoothing of actuarial gains and losses. PSAB requires amortization of each actuarial gain or loss over the Expected Average Remaining Service Life of the employee group, at the time of the actuarial valuation. This net liability may be lower than the gross liability when actuarial losses exceed gains, or larger than the gross liability when gains exceed losses.

Fair Value: the price that would be agreed upon in an arm's length transaction and in an open market between knowledgeable, willing parties who are under no compulsion to act. It is not the effect of a forced or liquidation sale.

Financial Assets: assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash; an asset that is convertible to cash; a contractual right to receive cash or another financial asset from another party; a temporary or portfolio investment; and a financial claim on an outside organization or individual.

Fiscal Year: the City of Toronto's fiscal year runs from January 1 to December 31.

GAAP: generally accepted accounting principles, as laid out in the relevant Handbook – the Public Sector Accounting Handbook for government organizations and the CICA Handbook or IFRS for Government Business Enterprises.

GAAS: generally accepted auditing standards. Standards established by Canadian Institute of Chartered Accountants (CICA) for use by public accountants when conducting external audits of the financial statements.

Government Business Enterprise (GBE): an organization that has all of the following characteristics: a) it is a separate legal entity with the power to contract in its own name and that can sue and be sued; b) it has been delegated the financial and operational authority to carry on a business; c) it sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and d) it can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity. Government business enterprises are accounted for under the modified equity method.

Hedging: a strategy to minimize the risk of loss on an asset (or a liability) from market fluctuations such as interest rate or foreign exchange rate changes. This is accomplished by entering into offsetting commitments with the expectation that a future change in the value of the hedging instrument will offset the change in the value of the asset (or the liability).

HST: Harmonized Sales Tax levied on goods and services by the federal government with proceeds shared with the provincial government.

Indemnity: an agreement whereby one party agrees to compensate another party for any loss suffered by that party. The City can either seek or provide indemnification.

Infrastructure: the facilities, systems and equipment required to provide public services and support private sector economic activity including network infrastructure (e.g., roads, bridges, water and wastewater systems, large information technology systems), buildings (e.g., hospitals, schools, courts), and machinery and equipment (e.g., medical equipment, research equipment).

International Financial Reporting Standards (IFRS): Government Business Enterprises must follow IFRS for fiscal years beginning on or after January 1, 2011. Other government organizations may also choose to follow IFRS. IFRS reporting is also mandatory for publicly accountable (non-government) enterprises beginning in 2011. IFRSs are now available in part I of the CICA Handbook.

Jointly Sponsored Pension Plan: a jointly sponsored pension plan is a pension plan where members and the entity (TTC) share responsibility for plan governance, plan administration, and plan terms, including funding of the plan.

Liabilities: are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. These liabilities have three essential characteristics: (a) they embody a duty or responsibility to others, leaving a government little or no discretion to avoid settlement of the obligation; (b) the duty or responsibility to others entails settlement by future transfer or use of assets, provision of goods or services, or other form of economic settlement at a specified or determinable date, on occurrence of a specified event, or on demand; and (c) the transactions or events obligating the government have already occurred.

Loan Guarantee: an agreement to pay all or part of the amount due on a debt obligation, in the event of default by the borrower.

LRVs: Light Rail Vehicles.

LTD: Long Term Disability.

Modified Equity Method of Accounting: investment balances are adjusted for any earnings or losses of the government business enterprise, without adjustment to correspond to public sector GAAP.

MPAC: The Municipal Property Assessment Corporation is a non profit organization which serves Ontario property taxpayers together with provincial and municipal stakeholders by providing property assessments and enumeration services.

Multi-employer Pension Plan: is a defined benefit pension plan to which two or more governments or government organizations contribute, usually pursuant to legislation or one or more collective bargaining agreements. The main distinguishing characteristic of a multi-employer plan is that the contributions by one participating entity are not segregated in a separate account or restricted to provide benefits only to employees of the entity and, thus may be used to provide benefits to employees of all participating entities.

Net Book Value of Tangible Capital Assets: historical cost of tangible capital assets less both the accumulated amortization and the amount of any write-downs.

Net Debt: the difference between the City's total liabilities and financial assets. It represents the City's future revenue requirements to pay for past transactions and events.

Non-Financial Assets: assets that normally do not generate cash capable of being used to repay existing debts. For the Province, it comprises tangible capital assets and net assets of broader public sector organizations.

Obligatory reserve funds: amounts collected from developers or through other legislation or legal agreement, which must be spent in a prescribed manner.

OMBI: The Ontario Municipal Benchmarking Initiative is a group of 16 municipalities which benchmark more than 850 measures across 37 municipal services areas.

Option: a contract that confers the right, but not the obligation, to buy or sell a specific amount of a commodity, currency or security at a specific price, on a certain future date.

Other than a Temporary Decline: a loss in value of a portfolio investment that is other than a temporary decline occurs when the actual value of the investment to the government becomes lower than the carrying value and the impairment is expected to remain for a prolonged period.

Prepaid Expenses: Prepaid expenses are non-financial assets which result when payments are made in advance of the receipt of goods or services. Prepaid expenses may arise from payments for insurance premiums, leases, professional dues, memberships and subscriptions.

PSAB: the Public Sector Accounting Board (PSAB) of the CICA sets standards and provides guidance for financial and other performance information reported by the public sector.

Present Value: the current worth of one or more future cash payments, determined by discounting the payments using a given rate of interest.

Recognition: the process of including an item in the financial statements of an entity.

Reserves and reserve funds: fiscal and accounting entity segregated by Municipal Council for the purpose of carrying on specific activities or attaining certain objectives in accordance with internally or externally established restrictions or limitations. By City policy and practice, interest earnings are applied only to reserve funds, while reserves do not earn interest.

Segment: a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Sinking Fund Debenture: a debenture that is secured by periodic payments into a fund established to retire long-term debt.

Straight-Line Basis of Amortization: a method whereby the annual amortization expense is computed by dividing i) the historical cost of the asset less the residual value by ii) the number of years the asset is expected to be used.

Subordinated debt: Debt which ranks after other debts should a company fall into liquidation or bankruptcy.

Surplus: the amount by which revenues exceed expenses in any given year.

TAF: Toronto Atmospheric Fund

Tangible Capital Assets: physical assets including land, buildings, transportation and transit infrastructure, water & wastewater infrastructure, vehicles and equipment. These assets are recorded in the City's consolidate financial statements for the first time in 2009.

TCHC: Toronto Community Housing Corporation

TDSB: Toronto District School Board

TEDCO: Toronto Economic Development Corporation, carrying on business as Toronto Port Lands Company (TPLC)

Total Debt: City's total borrowings outstanding.

TPA: Toronto Parking Authority

TPLC: see TEDCO

Transfer Payments: grants or transfers of monies to individuals, organizations or other levels of government for which the government making the transfer does not receive any goods or services directly in return, as would occur in a purchase or sale transaction; expect to be repaid, as would be expected in a loan; or expect a financial return, as would be expected in an investment.

TTC: Toronto Transit Commission

TWRC: Toronto Waterfront Revitalization Corporation

Unrealized Gain or Loss: an increase or decrease in the fair value of an asset accruing to the holder. Once the asset is disposed of or written off, the gain or loss is realized.

WSIB: Workplace Safety and Insurance Board

2012 STATISTICAL INFORMATION

CITY OF TORONTO FINANCIAL REPORT

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2012	2011	2010	2009	2008
Population (Note 1)	2,791,140	2,790,200	2,773,000	2,755,800	2,738,600
Households (Note 1)	1,118,435	1,097,600	1,090,800	1,084,000	1,082,000
Areas in square kilometres	634	634	634	634	634
Full-time employees	43,970	45,388	46,228	45,673	42,627
Housing Starts	25,416	18,972	13,425	11,919	19,710
Building Permit Values	$7,286,017	$8,514,926	$10,167,238	$5,521,393	$5,899,802

TAXATION ASSESSMENT UPON WHICH TAX RATES WERE SET (Note 2)

Residential, Multi-residential, New Multi-residential, Farmlands, and Managed Forest	$336,408,271	$328,192,641	$294,740,597	$276,277,574	$258,854,050
Commercial, Industrial and Pipeline	$86,027,525	86,108,916	73,907,329	68,075,621	61,789,182
TOTAL	**$422,435,796**	**$414,301,557**	**$368,647,926**	**$344,353,195**	**$320,643,232**
Total per capita	$151,349	$148,485	$132,942	$124,956	$117,083

TAX RATES (URBAN AREA) - (Note 2)

Residential, New Multi-Residential, Farmlands and Managed Forest (expressed in %) - Note - Full Rate Only

City purposes	0.5501981%	0.5619218%	0.5895702%	0.6027807%	0.6109226%
School board purposes	0.2210000%	0.2310000%	0.2410000%	0.2520000%	0.2640000%
TOTAL	**0.7711981%**	**0.7929218%**	**0.8305702%**	**0.8547807%**	**0.8749226%**

Multi-Residential (expressed in %)

City purposes	1.7950082%	1.8635584%	1.9552517%	2.0373418%	2.1191990%
School board purposes	0.2210000%	0.2310000%	0.2410000%	0.2520000%	0.2640000%
TOTAL	**2.0160082%**	**2.0945584%**	**2.1962517%**	**2.2893418%**	**2.3831990%**

Commercial (expressed in %)

City purposes	1.7455255%	1.8257360%	1.9367482%	2.0431761%	2.1514381%
School board purposes	1.4360970%	1.5404080%	1.6615560%	1.8030600%	1.9683050%
TOTAL	**3.1816225%**	**3.3661440%**	**3.5983042%**	**3.8462361%**	**4.1197431%**

Industrial (expressed in %)

City purposes	1.7385006%	1.8203441%	1.9900160%	2.1484993%	2.2855806%
School board purposes	1.4491840%	1.5657920%	1.7040030%	1.8618110%	2.0507090%
TOTAL	**3.1876846%**	**3.3861361%**	**3.6940190%**	**4.0103103%**	**4.3362896%**

Pipeline (expressed in %)

City purposes	1.0583411%	1.0808925%	1.1340760%	1.1594874%	1.1751488%
School board purposes	1.5875130%	1.6371510%	1.6890270%	1.7425120%	1.7985840%
TOTAL	**2.6458541%**	**2.7180435%**	**2.8231030%**	**2.9019994%**	**2.9737328%**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2012	2011	2010	2009	2008
TAXES RECEIVABLE, END OF THE YEAR					
Amount	$224,878	$244,209	$300,387	$313,088	$246,074
Per Capita	$81	$88	$108	$114	$90
NET LONG-TERM DEBT- END OF YEAR					
Amount	$3,699,256	$3,264,220	$2,890,472	$2,798,585	$2,741,227
Per Capita	$1,325	$1,170	$1,042	$1,016	$1,001
INTEREST CHARGES FOR NET LONG-TERM DEBT					
Amount	243,682	221,072	$221,663	$217,589	$173,723
Per Capita	$87	$79	$80	$79	$63
LONG-TERM DEBT SUPPORTED BY PROPERTY TAXES					
Gross Long-Term Debt	$4,431,481	$4,037,810	$3,694,108	$3,868,170	$3,556,500
Net Long-Term Debt (Net of Sinking Fund deposits)	$3,699,256	$3,264,220	$2,890,472	$2,798,585	$2,741,227
LONG-TERM DEBT AND MORTGAGES CHARGES					
(includes principal repayments, interest on long-term debt and interest earned on sinking funds)					
Amount	$618,893	$563,294	$1,179,542	$599,489	$583,407
Percentage of Total Consolidated Expenses	6.02%	5.33%	11.19%	6.02%	6.18%
LEGAL DEBT LIMIT (NOTE 3) (15% of property tax levy)					
Property Tax Levy Amount	$3,750,325	$3,583,368	$3,859,765	$3,655,880	$3,469,974
Legal Debt Limit	$562,549	$537,505	$578,965	$548,382	$520,496
TAXES COLLECTED					
City Collection	$4,106,755	$4,029,667	$3,917,991	$3,660,600	$3,529,681
Taxes Transferred to the School Board	1,895,139	1,906,588	1,886,726	1,882,376	1,870,204
TOTAL	**$6,001,894**	**$5,936,255**	**$5,804,717**	**$5,542,976**	**$5,399,885**

TRUST FUNDS BALANCE - END OF YEAR	**$46,514**	**$45,993**	**$46,743**	**$48,611**	**$45,422**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2012	2011	2010	2009	2008
SUMMARY OF CONSOLIDATED REVENUES AND EXPENSES - (Note 4)					
CONSOLIDATED OPERATIONS					
REVENUE BY SOURCE					
Residential and Commercial property taxation	$4,100,123	$3,907,433	$3,859,765	$3,655,880	$3,469,974
Taxation from other government	106,600	98,596	108,656	100,179	80,710
User Charges	2,797,655	2,615,642	2,529,093	2,309,164	2,108,423
Funding transfers from other governments	3,054,218	3,148,351	3,173,242	2,993,468	2,731,174
Government business enterprise earnings	180,097	188,041	153,294	115,012	233,926
Investment Incomes	246,760	248,397	265,990	282,217	240,738
Development Charges	141,133	94,952	92,162	83,144	56,234
Rental and Concessions	395,470	386,073	372,959	355,005	355,591
Other	681,147	604,560	540,861	520,422	461,070
TOTAL	**$11,703,203**	**$11,292,045**	**$11,096,022**	**$10,414,491**	**$9,737,840**
CONSOLIDATED EXPENSES BY FUNCTION (Note 4)					
General Government	$873,889	$1,193,486	$1,065,764	$803,504	$794,329
Protection to persons and property	1,558,447	1,667,615	1,569,710	1,525,221	1,466,272
Transportation	2,828,174	2,642,260	2,833,944	2,696,197	2,578,243
Environment Services	810,859	834,088	883,897	873,684	855,105
Health Services	397,210	399,207	401,271	376,463	375,904
Social and family services	1,999,896	2,032,670	2,040,833	1,946,444	1,803,134
Social housing	850,026	804,577	818,287	837,786	651,022
Recreation and cultural services	861,716	847,271	795,910	769,110	770,880
Planning and development	96,533	143,636	132,562	126,991	144,655
TOTAL	**$10,276,750**	**$10,564,810**	**$10,542,178**	**$9,955,400**	**$9,439,544**
ANNUAL SURPLUS	**$1,426,453**	**$727,235**	**$553,844**	**$459,091**	**$298,296**
ACCUMULATED SURPLUS: (Note 4)					
Financial Assets	$8,245,455	$7,283,091	$6,513,984	$6,728,291	$7,109,217
Liabilities	12,490,490	11,672,374	10,899,622	10,392,487	10,647,259
Net Debt	(4,245,035)	(4,389,283)	(4,385,638)	(3,664,196)	(3,538,042)
Non-Financial Assets	22,410,101	21,030,694	19,870,692	18,595,406	17,806,450
Accumulated Surplus	**$18,165,066**	**$16,641,411**	**$15,485,054**	**$14,931,210**	**$14,268,408**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2012	2011	2010	2009	2008
CONSOLIDATED SUMMARY OF FUNDING TRANSFERS FROM OTHER GOVERNMENTS (Note 4)					
Social Assistance	$920,131	$883,817	$885,319	$801,271	$732,840
Child Care Assistance	274,771	264,866	264,345	262,540	262,478
Health Services	162,739	162,332	118,669	117,558	151,526
Social Housing	468,977	526,697	544,278	422,284	446,501
Other	411,311	539,545	371,379	144,607	420,972
Government of Canada Transfer - TTC	255,539	329,693	187,120	700,876	508,499
Government of Canada Transfer - Capital	522,330	420,643	303,921	211,656	182,927
Province of Ontario Transfer - Capital	38,420	20,758	405,643	332,676	3,694
Province of Ontario Transfer - Reserve Funds	–	–	92,568	–	21,737
TOTAL	**$3,054,218**	**$3,148,351**	**$3,173,242**	**$2,993,468**	**$2,731,174**
CONSOLIDATED EXPENSES BY OBJECT (Note 4)					
Salaries, wages and benefits	$5,069,438	$5,053,750	$4,826,928	$4,523,437	$4,442,881
Materials	803,795	1,003,283	1,072,005	939,768	1,181,882
Contracted Services	1,411,269	1,458,019	1,386,031	1,356,914	1,355,457
Interest on long-term debt & TCHC mortgage	287,990	267,240	273,275	229,503	232,116
Transfer payments	1,592,920	1,660,359	1,636,974	1,638,412	1,295,514
Amortization	801,845	814,522	1,018,351	1,071,896	797,281
Other	309,493	307,637	328,614	195,470	134,413
TOTAL	**$10,276,750**	**$10,564,810**	**$10,542,178**	**$9,955,400**	**$9,439,544**
RESERVE & RESERVE FUND BALANCE					
- End of the year	**$1,715,128**	**$1,365,006**	**$1,355,092**	**$1,460,612**	**$1,332,849**
TANGIBLE CAPITAL ASSETS (Note 4)					
COST:					
General Assets	$14,266,713	$13,828,522	$13,311,835	$12,548,857	11,631,237
Infrastructure	17,122,938	16,443,845	15,787,653	15,327,906	14,933,347
Assets under construction	3,896,892	2,971,227	2,376,829	1,549,073	1,147,166
TOTAL	**35,286,543**	**33,243,594**	**31,476,317**	**29,425,836**	**27,711,750**
ACCUMULATED AMORTIZATION:					
General Assets	$4,948,857	$4,589,901	$4,235,099	$3,760,309	$3,316,129
Infrastructure	8,227,393	7,954,531	7,652,115	7,276,620	6,755,678
TOTAL	**13,176,250**	**12,544,432**	**11,887,214**	**11,036,929**	**10,071,807**
NET BOOK VALUE	**22,110,293**	**20,699,162**	**$19,589,103**	**$18,388,907**	**$17,639,943**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

Note 1: Source of population data and number of households is from the City of Toronto, City Planning Division - which uses the data from the last Annual Demographic Estimate of Statistics Canada.

Note 2: Taxation related information reflect Current Value Assessment (CVA).

Note 3: Legal Debt Limit is approved by City Council as per City of Toronto Act (COTA) effective 2007. Legal Debt Limit shall not be greater than 15% of the property tax levy.

Note 4: In 2012, a review of deferred revenue accounts was undertaken and the Toronto Waterfront Revitalization Corporation consolidated financial statements were restated to include assets under development, which were previously expensed. The impact of these changes resulted in restatement of 2011 consolidated financial statements (see Note 2 of the consolidated financial statements).

TORONTO

2012 FINANCIAL REPORT

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